

**Avista Corp.**  
1411 East Mission PO Box 3727  
Spokane, Washington 99220-3727  
Telephone 509-489-0500  
Toll Free 800-727-9170

RECEIVED  
FILED



**Corp.**

2004 NOV 15 AM 8:42

IDAHO PUBLIC  
UTILITIES COMMISSION

November 11, 2004

Jean Jewell, Commission Secretary  
Idaho Public Utilities Commission  
472 W. Washington St.  
Boise, ID 83702-5983

Dear Ms. Jewell:

Re: Case No. AVU-E-04-02  
Accounting Entry Associated with the Sale of Avista's Interest in Skookumchuck

Order No. 29484 dated April 28, 2004 in Case No. AVU-E-04-02 approved the sale of Avista's minority interest in the Skookumchuck dam, hydroelectric plant and related facilities. The order directed Avista to file the final accounting entries associated with the sale within 45 days of closing. Please find enclosed a copy of the journal entry that records the sale of Avista's interest in Skookumchuck.

Please direct any questions on this matter to Ron McKenzie at (509) 495-4320.

Sincerely,

Kelly Norwood  
Vice President, State and Federal Regulation

Enclosure

# Avista Corp. General Ledger Journal Entry

Effective  
Date

MM	DD	YY
10	31	04

Journal  
Entry ID

SJNO3
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On-Line  
Entry

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\$/#

\$
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\$ = Dollar Journal  
# = Statistical Journal

- Did you remember to:
- Attach backup?
  - Have two signatures?
  - Put AutoJ signature page on top?
  - Staple on the left-hand side?

Journal Description

Skookumchuck Sale
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**Avista Corporation - General Ledger Journal Entry**

Print Date: 11-04-2004 03:43 PM

Journal ID: **SJN03** Journal Description: Skookumchuck Sale Effective Date: 10-31-2004

Corp: WWP Journal Sponsor: RESOURCE \$#: \$ Tran Type: C Error Code: Q Code: G

Control Amount Total: 5,542,406.73 Saved By: Rick Lloyd Saved Date: 11-04-2004 3:43:24 PM

Edit Date: 11-04-2004 3:40:21 PM

Seq	WO	UMain	Sub	RC	Cost Code	SL ID	LOC	Debit Amount	Credit Amount	Transaction Description
10	0000	0108	22	FIN	EE			0.00	1,287,382.78	SALVAGE - HYDRO
<i>Net proceeds</i>										
20	0000	0108	52	FIN	EE		980,397.90	980,397.90	0.00	ACCUM PROV OTHER ENTRY-HYDRO
30	0000	9143	25	FIN	EE		1,291,625.42	1,291,625.42	0.00	OTHER A/R-RESOURCE ACCOUNTING
<i>A/R from Pacificcorp</i>										
40	0000	9232	65	FIN	EE		0.00	0.00	4,242.64	OTHER A/P - RESOURCE ACCOUNTING
<i>Clear Accumulated Closing Costs</i>										
50	9331	9421	10	X54	EE		0.00	0.00	980,397.90	ACCOUNTING ACTIVITI/*GAIN/PROPERTY
<i>Calculated Gain</i>										
60	0000	9282	90	FIN	EE		81,704.13	81,704.13	0.00	ADFIT-WA/ID ELECTRIC
<i>Reverse ADFIT</i>										
70	0135	9411	20	X54	EE	X	098	0.00	81,704.13	INCOME TAX /PROV DEFERED IT
80	9331	9421	10	X54	EE		695,481.43	695,481.43	0.00	ACCOUNTING ACTIVITI/*GAIN/PROPERTY
<i>Ratepayer Proceeds - Before Tax</i>										
90	0000	9254	11	038	EE		0.00	0.00	237,252.20	ID CENT SALE - REGULATORY LIABILITY
<i>ID Ratepayer Portion</i>										
100	0000	9190	11	038	EE		83,038.27	83,038.27	0.00	ADFIT-REG.LIAB. CENTRALIA SALE
110	0135	9411	20	X54	EE	X	098	0.00	83,038.27	INCOME TAX /PROV DEFERED IT
120	0000	9242	71	FIN	EE		0.00	0.00	458,229.23	EL WA 95-96 DSM TARIFF RIDER
<i>WA Ratepayer Portion</i>										
130	0000	9121	00	FIN	EE		578,915.52	578,915.52	0.00	NONUTILITY PROPERTY
140	0000	9121	00	FIN	EE		0.00	0.00	578,915.52	NONUTILITY PROPERTY
150	0000	9122	00	FIN	EE		0.00	0.00	271,930.64	ACCUM PRV FOR DEPR - NONUTIL PROP

**Avista Corporation - General Ledger Journal Entry**

Journal ID: **SJN03** Journal Description: **Skookumchuck Sale** Effective Date: **10-31-2004**

Corp: **WWP** Journal Sponsor: **RESOURCE** \$#: **\$** Tran Type: **C** Error Code: **Q** Code: **G**

Control Amount Total: **5,542,406.73** Saved By: **Rick Lloyd** Saved Date: **11-04-2004 3:43:24 PM**

Edit Date: **11-04-2004 3:40:21 PM**

Seq	WO	UMain	Sub	RC	Cost Code	SL ID	LOC	Debit Amount	Credit Amount	Transaction Description
160	0000	9122	00	FIN	EE			271,930.64	0.00	ACCUM PRV FOR DEPR - NONUTIL PROP
170	2797	9102	10	A57	EE	X	098	0.00	1,287,382.78	PLANT PURCHASED OR /*SALE PLANT
										<i>Elec Plt Sold - Salvage</i>
180	2797	9102	10	A57	EE	X	098	578,915.52	0.00	PLANT PURCHASED OR /*SALE PLANT
										<i>Elec Plt Sold - Plant Balance</i>
190	2797	9102	10	A57	EE	X	098	0.00	271,930.64	PLANT PURCHASED OR /*SALE PLANT
										<i>Elec Plt Sold - Accum Depreciation</i>
200	2797	9102	10	A57	EE	X	098	980,397.90	0.00	PLANT PURCHASED OR /*SALE PLANT
										<i>Elec Plt Sold - Gain</i>
<b>Totals:</b>								5,542,406.73	5,542,406.73	

Rows: 20

Trans: 20

Explanation:

Record sale of Skookumchuck project

Prepared By: *[Signature]* Date: 11/4/04  
 Reviewed By: *[Signature]* Date: 11/4/04  
 Approved For Entry - Corporate Accounting Use Only Date: 11/4/04

A	B	C	D	E	F	G	H	I	J
<b>SKOOKUMCHUCK SALE</b>									
	<b>ACCOUNT</b>	<b>DESCRIPTION</b>	<b>DEBIT</b>	<b>CREDIT</b>	<b>COMMENTS</b>	<b>I/S IMPACT</b>			
1									
2									
3									
4									
48									
49									
50	SJN03	FIN Salvage-Hydro		\$1,287,382.78	Cash Received				
51	SJN03	FIN Accum. Res. Other-Hydro	\$980,397.90		Net Cash - Net Plant				
52	SJN03	FIN A/R Res Acct	\$1,291,625.42		A/R from Pacificorp				
53	SJN03	FIN A/P Skookumchuck		\$4,242.64	Clear Closing Costs				
54	SJN03	X54 Gain on Disposition of Property - Plant	\$81,704.13	\$980,397.90	Gain on sale	(\$980,397.90)			
55	SJN03	FIN ADFIT-MACRS		\$81,704.13	Reverse ADFIT	(\$81,704.13)			
56	SJN03	X54 DFIT Expense-MACRS Reversal	\$695,481.43		Ratepayers share	(\$695,481.43)			
57	SJN03	X54 Gain on Disposition of Property		\$237,252.20	Reverse DFIT				
58	SJN03	X38 ID Cent Sale-Other Regulatory Liability		\$154,213.93	Ratepayers share				
59	SJN03	038 ADFIT on Reg Liab- ID Cent Sale	\$83,038.27		=33.01%*(0.697) = .23008				
60	SJN03	X54 DFIT Expense		\$83,038.27		(\$83,038.27)			
61	SJN03	FIN EL WA DSM Tariff Rider		\$458,229.23	.6699% on Appreciation				
62	SJN03	FIN Non Utility Property	\$578,915.52		Transfer to Non Utility				
63	SJN03	FIN Non Utility Property		\$578,915.52	Clear Non Utility Property				
64	SJN03	FIN Accum Depreciation - Non Util	\$271,930.64		Accum Depr-Non Utility				
65	SJN03	FIN Accum Depreciation - Non Util		\$271,930.64	Clear Accum Depr				
66	SJN03	A57 Electric Plant Sold	\$271,930.64		Cash Received-salvage				
67	SJN03	A57 Electric Plant Sold		\$1,287,382.78	Plant Balance Retired				
68	SJN03	A57 Electric Plant Sold	\$578,915.52		Accum Depr				
69	SJN03	A57 Electric Plant Sold	\$980,397.90		Gain on Disp of Property				
70			<b>\$5,542,406.73</b>	<b>\$5,542,406.73</b>	<b>Journal entry totals</b>				
71									
72	DJ270	X54 State Income Taxes -	\$21,588.97		2% SIT	\$21,588.97			
73	DJ270	X54 Federal Income Taxes - After State	\$370,250.86		35% FIT (After SIT)	\$370,250.86			
74	DJ270	FIN Current Taxes Payable		\$391,839.83	Total Tax				
75									
76	DJ262	FIN ADFIT WA DSM	\$160,380.23			(\$160,380.23)			
77	DJ262	X54 DFIT Expense		\$160,380.23		(\$160,380.23)			
78									
79									

A	B	C	D	E	F	G	H	I	J
<b>SKOOKUMCHUCK SALE</b>									
	<b>ACCOUNT</b>	<b>DESCRIPTION</b>	<b>DEBIT</b>	<b>CREDIT</b>	<b>COMMENTS</b>				
5	SJ006	0000913110 FIN Cash	\$1,291,625.42		Cash Received				
6	SJ006	0000914325 FIN A/R Res Acct		\$1,291,625.42	A/R from Pacificorp				
7	FYI	0000923265 FIN A/P Pacificorp - Skookumchuck	\$4,242.64	\$0.00	Clear closing costs				
8	FYI	9331942110 X54 Gain on Disposition of Property - Plant		\$980,397.90	Net Gain-Calculated				
10	PRN	5100033100 Plant in Service	\$50,947.22		PRN'S-Aged Dated				
11	PRN	5100033200 Plant in Service	\$2,789.72		PRN'S-Aged Dated				
12	PRN	5100033300 Plant in Service	\$434,444.35		PRN'S-Aged Dated				
13	PRN	5100033400 Plant in Service	\$90,734.23		PRN'S-Aged Dated				
14	RET	5100010832 Retirements-Hydro	\$578,915.52		Retirements-Hydro				
15	FYI	0000010842 Accum Depr-Hydro		\$271,930.64	at 9/30/2004-remains				
17	SJN03	0000010822 FIN Salvage-Hydro	\$980,397.90		Cash Received				
18	SJN03	0000010852 FIN Accum. Res. Other-Hydro	\$1,559,313.42	\$1,559,313.42	Net Cash - Net Plant				
19					108 entries = 0				
21	SJN03	0000914325 FIN A/R Res Acct	\$1,291,625.42		A/R from Pacificorp				
22	SJN03	0000923265 FIN A/P Skookumchuck		\$4,242.64	Clear Closing Costs				
23	SJN03	9331942110 X54 Gain on Disposition of Property - Plant		\$980,397.90	Gain on sale				
24	SJN03	0000928290 FIN ADFIT-MACRS	\$81,704.13		Reverse ADFIT				
25	SJN03	0135941120 X54 DFIT Expense-MACRS Reversal		\$81,704.13	Reverse DFIT				
27			\$980,397.90		Book Gain				
28	Schedule M Add	Gain on Disposition of Property - Plant	\$306,984.88		Net Plant - Book				
29	Schedule M deduct	Net Plant - Books	(\$207,934.21)		Net Plant - Tax				
30			\$1,079,448.57		Taxable gain				
32	DJ270	0135940921 X54 State Income Taxes -	\$21,588.97		2% SIT				
33	DJ270	0135940921 X54 Federal Income Taxes - After State	\$370,250.86		35% FIT (After SIT)				
34	DJ270	0000923600 FIN Current Taxes Payable		\$391,839.83	Total Tax				
35		DFIT Expense-MACRS Reversal	plus		Reverse MACRS				
36		Net After Tax Gain	(\$81,704.13)		Net After Tax Gain				
38	SJN03	9331942110 X54 Gain on Disposition of Property	\$695,481.43		Ratepayers share				
39	SJN03	0000925411 038 ID Cent Sale-Other Regulatory Liability		\$237,252.20	\$154,213.93 = 33.01%*(0.697) = .23008				
40	SJN03	0000919011 038 ADFIT on Reg Liab- ID Cent Sale		\$83,038.27					
41	SJN03	0135941120 X54 DFIT Expense		\$458,229.23					
42	SJN03	0000924271 FIN EL WA DSM Tariff Rider		\$67,039.62	ID				
43	FYI			\$221,253.55	WA				
44	FYI			\$297,849.00	297,849.00				
45				\$151,159.65	151,159.65				
46				\$449,008.65	449,008.65				
47			\$3,132,247.15	\$3,132,247.15	After tax				
				\$0.00					

10/26/04  
 Ron McKenzie

Avista Corporation

Assignment of Gain on Sale of Skookumchuck  
 State of Washington  
 Allocated Using Methodology Set Forth in  
Second Supplemental Order in Docket No. UE-991255

Line No.		Avista	Washington	Assignment of Gain	
		17.50%	66.99%	Ratepayers	Shareholders
1	Plant Sale Proceeds	\$1,291,625	865,260		
2	Clear Closing Costs	-4,243	-2,842		
3	Projected Plant Sale Proceeds	1,287,382	862,418		
Gross Assets Sold					
4	Plant in Service @ 9/30/04	578,916	387,816		
Book Gain Before Income Taxes					
5	Appreciation on Assets Sold (Line 3 - Line 4)	708,466	474,602	237,301	237,301
6	Accumulated Depreciation @ 9/30/04	271,931	182,167	182,167	
7	Total Book Gain	980,397	656,769	419,468	237,301
Income Taxes					
8	Book Gain on Sale of Plant (Line 7)	980,397	656,769	419,468	237,301
9	Net Plant-Books	306,985	205,649	205,649	
10	Net Plant-Tax	-207,934	-139,295	-139,295	
11	Taxable Gain	\$1,079,448	\$723,123	\$485,822	\$237,301
12	State Income Tax Rate	2.00%	2.00%	2.00%	2.00%
13	State Income Taxes	\$21,589	\$14,462	\$9,716	\$4,746
14	Federal Income Tax	370,251	248,031	166,637	81,394
15	Total State and Federal Income Tax on Sale of Plant	391,840	262,493	176,353	86,140
16	DFIT Expense-MACRS Reversal	-81,704	-54,734	-54,734	
17	Total Income Tax (Lines 15+16)	310,136	207,759	121,619	86,140
18	Book Gain net of Income Tax (Line 7 - Line 17)	\$670,261	\$449,010	\$297,849	\$151,161

WUTC

- 18 (6) This matter was brought before the Commission at its regularly scheduled open meeting on March 12, 2004.
- 19 (7) It is consistent with the public interest that the Commission grant Avista's request for authorization to sell the assets associated with the Skookumchuck Project.

ORDER

- 20 (1) THE COMMISSION GRANTS the petition of Avista Corporation for authorization to sell and transfer the Company's interest in the Skookumchuck dam, hydroelectric facility, and related assets substantially in accordance with the Sale Agreement.
- 21 (2) The Commission determines that allowing the Skookumchuck Project to become an eligible facility under Section 32(c) of the Public Utility Holding Company Act of 1935 (PUHCA) (1) will benefit consumers, (2) is in the public interest and (3) does not violate Washington State law.
- 22 (3) Avista shall allocate any gain resulting from the transaction between ratepayers and shareholders in the same manner as the Company's after-tax gain of the sale of the Centralia Power Plant in Dockets Nos. UE-991255 and UE-000080. The estimated portion of the Skookumchuck gain allocated to ratepayers shall be applied to the demand side management ("DSM") tariff rider balance.
- 23 (4) This Order shall in no way affect the authority of the Commission over rates, services, accounts, evaluations, estimates, or determination of costs on any matters whatsoever that may come before it, nor shall anything herein be construed as acquiescence in any estimate or determination of costs claimed or asserted.

50%/50%  
Split on  
Appreciation  
on Assets Sold



10/26/04  
Ron McKenzie

Avista Corporation

Assignment of Gain on Sale of Skookumchuck  
State of Idaho  
Allocated Using Methodology Set Forth in  
Order No. 28297/ Case No. AVU-E-99-6

Line No.		Assignment of Gain		Ratepayers		Shareholders	
		Avista 17.50%	Idaho 33.01%	69.70%	30.30%		
1	Plant Sale Proceeds	\$1,291,625	426,365				
2	Clear Closing Costs	-4,243	-1,401				
3	Projected Plant Sale Proceeds	1,287,382	424,964				
Gross Assets Sold							
4	Plant in Service @ 9/30/04	578,916	191,100				
Book Gain Before Income Taxes							
5	Appreciation on Assets Sold (Line 3 - Line 4)	708,466	233,864				
6	Accumulated Depreciation @ 9/30/04	271,931	89,764				
7	Total Book Gain	980,397	323,628				
Income Taxes							
8	Book Gain on Sale of Plant (Line 7)	980,397	323,628				
9	Net Plant-Books	306,985	101,336				
10	Net Plant-Tax	-207,934	-68,639				
11	Taxable Gain	\$1,079,448	\$356,325				
12	State Income Tax Rate	2.00%	2.00%				
13	State Income Taxes	\$21,589	\$7,127				
14	Federal Income Tax	370,251	122,219				
15	Total State and Federal Income Tax on Sale of Plant	391,840	129,346				
16	DFIT Expense-MACRS Reversal	-81,704	-26,970				
17	Total Income Tax (Lines 15+16)	310,136	102,376				
18	Book Gain net of Income Tax (Line 7 - Line 17)	\$670,261	\$221,252	\$154,213	\$67,039		

*DPUC*

ORDER

In consideration of the foregoing and as more particularly described above, IT IS HEREBY ORDERED and the Commission does hereby make the following determinations:

I.

The Commission by this Order further approves the proposed sale by Avista of its interest in the Skookumchuck Project facilities to 2677588 Washington, LLC. We also approve the ratemaking treatment and allocation proposed by the Company for Idaho's jurisdictional share of after-tax gain. Avista is directed to file the final accounting entries associated with the sale of Skookumchuck Project facilities with the Commission within 45 days of closing.

II.

Avista's Application for EWG determinations under 15 U.S.C. § 79z-5a(c) is granted and the Commission accordingly finds that allowing the Skookumchuck hydroelectric generation facility to become an "eligible facility" and sell electric energy at wholesale (1) will benefit consumers, (2) is in the public interest, and (3) does not violate Idaho state law.

THIS IS A FINAL ORDER. Any person interested in this Order may petition for reconsideration within twenty-one (21) days of the service date of this Order. Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. See *Idaho Code* § 61-626.

# ID Methodology

1 In the IPUC's order approving the sale of the Centralia Power Plant it adopted a  
2 methodology to allocate the gain between ratepayers and shareholders based on the ratio of  
3 accumulated depreciation to gross plant. This methodology resulted in an allocation of  
4 69.7% of the gain to ratepayers and 30.3% to shareholders.

5 The ratio of accumulated depreciation to gross plant of the Skookumchuck plant  
6 currently being retired is approximately 3944%. Applying 3944% to the after-tax gain on the  
7 proposed sale of Skookumchuck would result in a lesser amount of gain being allocated to  
8 ratepayers than the allocated gain that results from using the 69.70% Centralia allocation.

9 The Company is proposing to use the higher 69.70% Centralia allocation to ratepayers in the  
10 interest of minimizing the issues in this case regarding the allocation of the gain.

11 **Q. Is the Company asking for expedited treatment for EWG findings and**  
12 **approval of the sale?**

13 A. Yes. The Company is asking the Commission to consider the EWG issues and  
14 approval of the sale on an expedited basis.

15 **Q. Does that conclude your prefiled direct testimony?**

16 A. Yes.

WASHINGTON WATER POWER COMPANY  
 2003 True-up to Actuals (CIAC O/H Fix) 9/28/04  
 DEFERRED TAX BALANCE SUMMARY REPORT

Tax Year:2003  
 Deferred Tax Type:FEDERAL

Tax Class Range:Quick Range Used  
 Vintage Range:Quick Range Used

	Beginning Balance	Transfer	Adjustment	Retirement	Provision	Amortization	Ending Balance
V2000							
CENTRALIA HYDRO							
282.00 Method Life FED	2,771.80	0.00	0.00	0.00	876.12	0.00	3,647.92
Engineering Overheads FED	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>CENTRALIA HYDRO Total</b>	<b>2,771.80</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>876.12</b>	<b>0.00</b>	<b>3,647.92</b>
V2000 Total	2,771.80	0.00	0.00	0.00	876.12	0.00	3,647.92
FEDERAL Total	63,733.24	0.00	(19.32)	0.00	3,668.78	(14,321.43)	81,704.13

Tax Year:2003

Tax Depreciation Type:FED

Tax Class Range:Quick Range Used

Vintage Range:Quick Range Used

WASHINGTON WATER POWER COMPANY

2003 True-up to Actuals (CIAC O/H Fix) 9/28/04

TAX DEPRECIATION REPORT

Page 1 of 1

Study Date: 10/26/2004

Report Date: 10/26/2004 10:27 AM

	Ending Tax Basis	Ending Reserve	Net Tax Basis	Depreciation	Capitalized Depreciation	Net Depreciation	Amortization From Sales	Step Up Depreciation
All Vintages								
CENTRALIA HYDRO	577,419.04	369,484.83	207,934.21	27,069.87	0.00	27,069.87	0.00	0.00
All Vintages Total	577,419.04	369,484.83	207,934.21	27,069.87	0.00	27,069.87	0.00	0.00
FED Total	577,419.04	369,484.83	207,934.21	27,069.87	0.00	27,069.87	0.00	0.00

						Sep-04			
Description	Description	Debit	(Credit)	Balance	Difference				
Skookumchuck	DJ013	67,197.42							
Closing Costs	AP	14,722.94							
	sj006		0.00	86,163.17	Closing \$				
				86,163.17	86,163.17				

						Oct-04			
Description	Description	Debit	(Credit)	Balance	Difference				
	DJ013	0.00	0.00						
	AP	0.00							
	sj006		(81,920.53)	4,242.64	Closing \$				
				4,242.64	4,242.64				

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# Acct Detail by Main and Sub

October 2004

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<i>Date</i>	<i>Work</i>	<i>Utility</i>	<i>Main</i>	<i>Sub</i>	<i>Resp</i>	<i>Loc</i>	<i>Description</i>	<i>Amount</i>
<i>Order</i>	<i>Code</i>	<i>Code</i>	<i>Acct</i>	<i>Acct</i>	<i>Code</i>	<i>Code</i>		
10-05-2004	0000	9	143	25	FIN	000	STEWART TITLE	\$1,291,625.42
							<b>Sum</b>	<b>\$1,291,625.42</b>

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