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IDAHO PUBLIC
UTILITIES COMMISSION



May 19, 2008

Ms. Jean D. Jewell
Commission Secretary
Idaho Public Utilities Commission
PO Box 83720
Boise, ID 83720-0074

Re: *Annual Compliance Filing of Asset Retirement Obligation (SFAS 143)*
Case Nos. AVU-E-05-09 & AVU-G-05-03

Dear Ms. Jewell:

In Order No. 29962, the Commission directed the Company to record regulatory assets or liabilities associated with the implementation of Statement of Financial Accounting Standards (SFAS) 143. As a result of the Order, the Company is required to file annually, and as part of any rate case filing, all journal entries made under the requirements of SFAS 143.

This filing requirement was inadvertently overlooked for 2006. Therefore, enclosed, please find three copies of the 2006 and 2007 SFAS 143 annual compliance filing.

In addition, the Company filed a general rate case in April 2008, Case Nos. AVU-E-08-01 and AVU-G-08-01. These ARO transactions have been removed from the 2007 Results of Operations and have no impact on the Company's earnings or rate request in this case. Any questions pertaining to this matter in the pending general rate case can be addressed to Company Witness Liz Andrews.

Please direct any questions regarding this filing to Liz Andrews at (509) 495-8601.

Sincerely,

A handwritten signature in cursive script that reads "Kelly Norwood".

Kelly Norwood
Vice President, State and Federal Regulation

Enclosure
LA

Avista Utilities
FAS 143 Accounting - Asset Retirement Obligations
Year Ended December 31, 2006

	FERC Account	Dr.	Cr.
<u>December 31, 2005 Balances</u>			
ARO Assets	101000	2,081,864	
Accumulated Depreciation	108000		521,600
Regulatory Assets	182376	2,968,560	
ARO Liabilities	230000		4,528,824

Recorded Journal Entries

Calendar Year 2006 Accretion, Depreciation and Removal Costs Entries

1	Regulatory Assets	182376	280,915	
	ARO Liabilities	230000		280,915

To record accretion expense on AROs.

2	Regulatory Assets	182376	42,520	
	Accumulated Depreciation	108000		42,520

To record depreciation on the ARO assets.

Calendar Year 2006 Changes in Estimates

3	ARO Assets	101000		
	Accumulated Depreciation	108000		
	Regulatory Assets	182376		
	ARO Liabilities	230000		

To record changes in estimates. None in 2006.

<u>December 31, 2006 Balances</u>			
ARO Assets	101000	2,081,864	
Accumulated Depreciation	108000		564,120
Regulatory Assets	182376	3,291,995	
ARO Liabilities	230000		4,809,739

Avista Utilities
FAS 143 Accounting - Asset Retirement Obligations
Year Ended December 31, 2007

	FERC Account	Dr.	Cr.
<u>December 31, 2006 Balances</u>			
ARO Assets	101000	2,081,864	
Accumulated Depreciation	108000		564,120
Regulatory Assets	182376	3,291,995	
ARO Liabilities	230000		4,809,739
Recorded Journal Entries			
<u>Calendar Year 2007 Accretion, Depreciation and Removal Costs Entries</u>			
1	Regulatory Assets	182376	243,309
	ARO Liabilities	230000	243,309
	To record accretion expense on AROs.		
2	Regulatory Assets	182376	42,188
	Accumulated Depreciation	108000	42,188
	To record depreciation on the ARO assets.		
<u>Calendar Year 2007 Changes in Estimates</u>			
3	ARO Assets	101000	(663,519)
	Accumulated Depreciation	108000	(92,852)
	Regulatory Assets	182376	(491,969)
	ARO Liabilities	230000	(1,062,636)
	To record changes in estimates on Kettle Falls ARO.		
<u>December 31, 2007 Balances</u>			
ARO Assets	101000	1,418,345	
Accumulated Depreciation	108000		513,456
Regulatory Assets	182376	3,085,523	
ARO Liabilities	230000		3,990,412

AVISTA UTILITIES
FAS 143 - Asset Retirement Obligations
Activity by Asset for 2006 and 2007

Description	FERC Account	Asset Balance 200512	Asset Balance 200612	Asset Balance 200712	Reserve Balance 200512	Reserve Balance 200612	Reserve Balance 200712	Depreciation Expense 2006	Depreciation Expense 2007
Office Bldg.	CD AA 399100	351,679.53	351,679.53	351,679.53	(304,936.56)	(316,664.88)	(328,062.07)	11,728.32	11,397.19
Transformers	ED AN 374000	129,707.00	129,707.00	129,707.00	(76,766.00)	(79,413.08)	(82,059.53)	2,647.08	2,646.45
Colstrip 3	ED C3 317000	67,294.72	67,294.72	67,294.72	(32,624.99)	(34,256.21)	(35,887.51)	1,631.22	1,631.30
Colstrip 4	ED C4 317000	67,294.72	67,294.72	67,294.72	(32,624.99)	(34,256.21)	(35,887.51)	1,631.22	1,631.30
CS2	ED CS 347000	351,681.62	351,681.62	351,681.62	(18,935.23)	(25,247.00)	(31,558.72)	6,311.77	6,311.72
2005 AROs		967,657.59	967,657.59	967,657.59	(465,887.77)	(489,837.38)	(513,455.34)	23,949.61	23,617.96
Kettle Falls	ED KF 317000	1,114,206.00	1,114,206.00	1,114,206.00	(55,712.12)	(74,282.24)	(92,852.36)	18,570.12	18,570.12
Manual Adj. (2)				(663,519.00)			92,852.00		
Pre-2005 AROs		1,114,206.00	1,114,206.00	450,687.00	(55,712.12)	(74,282.24)	(0.36)	18,570.12	18,570.12
Total AROs		2,081,863.59	2,081,863.59	1,418,344.59	(521,599.89)	(564,119.62)	(513,455.70)	42,519.73	42,188.08

Description	FERC Account	Reg. Asset Balance 200512	Reg. Asset Balance 200612	Reg. Asset Balance 200712	ARO Liability Balance 200512	ARO Liability Balance 200612	ARO Liability Balance 200712	Accretion Expense 2006	Accretion Expense 2007
Office Bldg.	CD AA 399100	1,604,988.00	1,717,967.44	1,834,090.45	(1,651,731.12)	(1,752,982.24)	(1,857,708.06)	101,251.12	104,725.82
Transformers	ED AN 374000	675,294.00	685,243.27	662,593.35	(728,234.38)	(735,536.57)	(710,240.20)	7,302.19	(25,296.37)
Colstrip 3	ED C3 317000	186,508.50	201,698.00	217,718.71	(221,179.20)	(234,737.48)	(249,126.89)	13,558.28	14,389.41
Colstrip 4	ED C4 317000	186,508.50	201,698.00	217,718.71	(221,179.20)	(234,737.48)	(249,126.89)	13,558.28	14,389.41
CS2	ED CS 347000	87,655.00	119,737.37	153,399.43	(420,401.41)	(446,172.01)	(473,522.35)	25,770.60	27,350.34
2005 AROs		2,740,954.00	2,926,344.08	3,085,520.65	(3,242,725.31)	(3,404,165.78)	(3,539,724.39)	161,440.47	135,558.61
Kettle Falls	ED KF 317000	227,605.59	365,650.13	491,970.67	(1,286,097.99)	(1,405,572.41)	(1,513,323.07)	119,474.42	107,750.42
Manual Adj. (2)				(491,968.73)			1,062,635.73		
Pre-2005 AROs		227,605.59	365,650.13	1.94	(1,286,097.99)	(1,405,572.41)	(450,687.34)	119,474.42	107,750.42
Total AROs		2,968,559.59	3,291,994.21	3,085,522.59	(4,528,823.30)	(4,809,738.19)	(3,990,411.73)	280,914.89	243,309.03

Notes:

- (1) Fixed asset detail downloaded from Oracle fixed assets system.
- (2) Manual adjustment on Kettle Falls ARO was not recorded in the fixed assets system in 2007. A general journal was recorded to the GL in 2007. This entry will be reversed and recorded in the fixed assets system in 2008. The adjustment to the Kettle Falls ARO was due to change in estimate, based upon changes to closure regulations.