

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION)	
OF AVISTA CORPORATION DBA AVISTA)	CASE NO. AVU-E-08-04
UTILITIES FOR AN ORDER)	
AUTHORIZING THE ACCOUNTING OF)	
WIND GENERATION SITE COSTS AS)	ORDER NO. 30611
CONSTRUCTION WORK IN PROGRESS)	

On June 4, 2008, Avista Corporation filed an Application requesting an order “allowing for costs associated with wind generation site land, land rights, reservation costs, and other incremental costs associated with site evaluation, selection and acquisition to be accounted for as construction work in progress (CWIP), and allowing for the accrual of allowance for funds used during construction (AFUDC).” The Application states that in May the Company purchased permits, studies, lease assignments and wind data for the development of a wind generation site near Reardan, Washington. The Company is requesting to have all reservation payments and other costs associated with development of the site accounted for as CWIP. Avista asserts that Commission authorization is required to account for wind generation site costs in FERC Account 107-CWIP, because normally this account is used when plant is in the process of construction. Construction at the site is not expected to begin until 2011. Given the lead time between the expenditures for site costs, the ordering of equipment and start of construction, Avista states it is necessary to obtain Commission approval to account for these costs in Account 107-CWIP.

On June 25, 2008, the Commission issued a Notice of Application and Notice of Modified Procedure that, among other things, established a period for interested parties to file comments. Written comments were filed only by Staff.

Where construction has not started on the project, the expenditures identified in Avista’s Application are typically booked in asset accounts as land, plant held for future use, research and development or as ordinary expenses. The asset accounts accrue costs that may be included for recovery in future rates. Under this normal accounting treatment, AFUDC would not accrue until the assets become part of a work order where actual construction has started.

Avista’s Electric Integrated Resource Plan (IRP) filed August of 2007 projects 300 megawatts of wind generation capacity to be added to the Company’s generation resources.

Current demand for wind sites and equipment needed for the industry to meet various renewable resource requirements creates a situation justifying deviation from the normal accounting treatment for these resource acquisition expenditures. To fulfill the wind resources in the IRP and meet the renewable resource requirements in the most cost effective and efficient manner, Avista has been actively seeking wind sites and property rights. Avista believes increases in demand for turbines and limited site locations will continue to drive up the costs of wind generation. Accordingly, Avista believes it is cost effective and prudent to secure land rights and equipment now, even though actual construction will not begin until 2011.

The Commission finds that Avista's acquisition of sites for later wind development has merit, justifying deviation from the traditional accounting treatment for these costs. Accordingly, we approve the Company's Application for an Order allowing costs associated with wind generation site land, land rights, reservation costs, and other incremental costs associated with site evaluation, selection and acquisition to be accounted for as construction work in progress (CWIP). Avista may accrue the allowance for funds used during construction (AFUDC) in a separate subaccount. Avista is required to file a cost/benefit analysis where the actual total cost of the wind project including AFUDC is justified and compared to the all-in-cost of alternatives prior to the total costs being included in rates. Because AFUDC normally does not accrue on preliminary costs, the analysis of the total actual costs and jurisdictional allocation review is necessary to evaluate the reasonableness of AFUDC recovery. To facilitate this project review, Avista must record the AFUDC in a separate subaccount from the other project costs, and maintain workpapers separately identifying the various components of AFUDC, specifically the borrowed funds.

ORDER

IT IS HEREBY ORDERED that the Commission authorizes Avista to book the described costs associated with wind generation site land, land rights, reservation costs and other incremental costs as construction work in progress, and the accrual of funds used during construction.

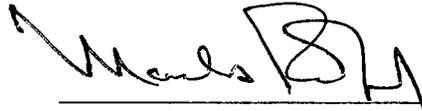
IT IS FURTHER ORDERED that Avista is required to utilize a separate subaccount for the AFUDC and maintain workpapers identifying the components of AFUDC.

IT IS FURTHER ORDERED that Avista is required to file a cost benefit analysis showing the actual total cost of the wind project, including AFUDC, is reasonable and the

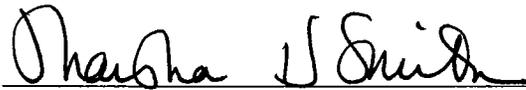
jurisdictional allocation is justified compared to the all-in-cost of alternatives prior to inclusion in rates.

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.

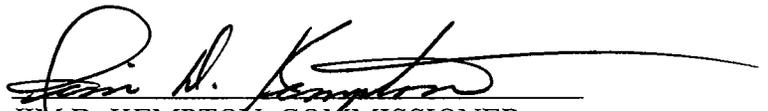
DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 6th day of August 2008.



MACK A. REDFORD, PRESIDENT

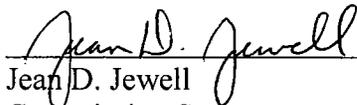


MARSHA H. SMITH, COMMISSIONER



JIM D. KEMPTON, COMMISSIONER

ATTEST:



Jean D. Jewell
Commission Secretary

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