

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION)	
OF AVISTA CORPORATION DBA AVISTA)	CASE NO. AVU-E-13-06
UTILITIES FOR AN ACCOUNTING ORDER)	
AUTHORIZING DEFERRED ACCOUNTING)	NOTICE OF APPLICATION
TREATMENT OF COSTS RELATED TO)	
IMPROVING DISSOLVED OXYGEN)	NOTICE OF
LEVELS IN LAKE SPOKANE)	MODIFIED PROCEDURE
)	
)	ORDER NO. 32889

On August 28, 2013, Avista Corporation dba Avista Utilities filed an Application seeking an accounting order related to the costs “to model, analyze, and develop a plan to improve the dissolved oxygen levels in Lake Spokane.” Application at 1 (footnote omitted). More specifically, Avista seeks to record and defer for “later possible recovery” approximately \$469,000 (Idaho’s share of the total cost of about \$1.34 million) related to improving the dissolved oxygen levels in Lake Spokane.

NOTICE OF APPLICATION

A. Background

Lake Spokane is a reservoir created by Avista’s Long Lake hydroelectric facility. *Id.* at 2. The Long Lake facility is one of five hydroelectric facilities that are a part of Avista’s Spokane River project. In 2009, FERC issued a new 50-year license for the Company to operate the projects. One of the conditions of the FERC license included obtaining a Section 401 Certificate from the State of Washington under the Clean Water Act. “The 401 Certificate and FERC license require Avista to develop a Water Quality Attainment Plan . . . to ‘improve oxygen conditions in Lake Spokane . . . sufficient to address its proportional level of responsibility, based on its contribution to the dissolved oxygen problem in the Lake.’” *Id.* at 4.

While Avista was pursuing its FERC relicensing, the Washington Department of Ecology (WDOE) initiated a dissolved oxygen total maximum daily load (TMDL) process to address the low oxygen levels in Lake Spokane. In early 2012, WDOE issued its final TMDL Attainment Plan, and the Plan was subsequently included in the 2009 FERC license.

During the TMDL process, the parties to the WDOE proceeding explored various alternatives to address the low dissolved oxygen levels in Lake Spokane. One alternative

examined was to introduce liquid oxygen or ambient air “through an extensive distribution system installed through much of the 23-mile long lake.” *Id.* at 5. Avista estimated that this alternative might have capital costs of up to \$8 million and \$200-300,000 in annual operating and maintenance costs. The WDOE adopted an alternative for Avista to undertake a number of “smaller-scale efforts, including . . . removing non-native carp, removing non-native aquatic vegetation, educating shoreline owners on proper vegetation management, and a number of other elements.” *Id.* at 5-6. This latter alternative was incorporated into the FERC license as Condition 5.6C of Appendix B of the 401 Certificate.

B. The Application

YOU ARE HEREBY NOTIFIED that Avista reports that it incurred costs of approximately \$1.34 million through December 2012 related to satisfying Condition 5.6C. Avista states that these costs primarily relate to: “data gathering, analysis and computer modeling . . . ; review and technical analysis of agency modeling efforts and draft documents; legal and facilitation support . . . ; development of alternatives to oxygenation, including the scientific basis for ‘crediting’ dissolved oxygen improvements to these alternatives.” *Id.* at 6. The Company provided the following table of its expenditures:

**Summary of Lake Spokane TMDL Costs
(through December 31, 2002)**

Professional Services	\$ 657,414
Legal Costs	\$ 383,824
Employee Costs, Contract Labor and Miscellaneous	\$ 298,840
Total Costs Incurred	\$1,340,077
Washington’s Share (65.01%)*	\$ 871,184
Idaho’s Share (34.99%)*	\$ 468,893

*Allocation based upon 12/31/2012 production/transmission ratio

YOU ARE FURTHER NOTIFIED that Avista states that it has recorded these costs in FERC Account 107.0 (Construction Work in Progress). If the Commission allows Avista to defer these costs, the Company intends to address “the prudence and recovery of these costs in its next general rate case filing or other future proceeding, as appropriate.” *Id.* at 7. Absent an accounting order from the Commission, the Company asserts that it would be forced to write-off these costs resulting in a loss to the Company and its shareholders. If the Commission grants the Company’s request for an accounting order, Avista indicates it will transfer the apportioned

Idaho costs from Account 107.0 (CWIP) to Account 182.3 (Other Regulatory Assets). The Company states it does not seek accrued interest on its deferral balances and requests that the Commission process its Application under Modified Procedure.

STAFF RECOMMENDATION

After reviewing the Company's Application, Staff agrees with the Company's recommendation that this matter be processed under Modified Procedure. Staff recommended written comments be due October 24, 2013.

NOTICE OF MODIFIED PROCEDURE

YOU ARE FURTHER NOTIFIED that the Commission has determined that the public interest may not require a formal hearing in this matter and will proceed under Modified Procedure pursuant to Rules 201 through 204 of the Idaho Public Utilities Commission's Rules of Procedure, IDAPA 31.01.01.201 through .204. The Commission notes that Modified Procedure and written comments have proven to be an effective means for obtaining public input and participation.

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 no later than **October 24, 2013**. The comment must contain a statement of reasons supporting the comment. Persons desiring a hearing must specifically request a hearing in their written comments. Written comments concerning this Application shall be mailed to the Commission and the Applicant at the addresses reflected below:

Commission Secretary
Idaho Public Utilities Commission
PO Box 83720
Boise, ID 83720-0074

Street Address for Express Mail:

472 W. Washington Street
Boise, ID 83702-5918

David J. Meyer
Vice President and Chief Counsel of
Regulatory and Government Affairs
Avista Corporation
1411 E. Mission Avenue
Spokane, WA 99220-3727
E-mail: david.meyer@avistacorp.com

Kelly Norwood
Vice President
State and Federal Regulations
Avista Corporation
1411 E. Mission Avenue
Spokane, WA 99220-3727
E-mail: kelly.norwood@avistacorp.com

These comments should contain the case caption and case number shown on the first page of this document. Persons desiring to submit comments via e-mail may do so by accessing the Commission's home page located at www.puc.idaho.gov. Click the "Case Comment or Question Form" under the "Consumers" tab, and complete the comment form using the case number as it appears on the front of this document. These comments must also be sent to the Applicant at the e-mail addresses listed above.

YOU ARE FURTHER NOTIFIED that if no written comments or protests are received within the time limit set, the Commission will consider this matter on its merits and enter its Order without a formal hearing. If written comments are received within the time limit set, the Commission will consider them and, in its discretion, may set the same for formal hearing.

YOU ARE FURTHER NOTIFIED that the Application and exhibits have been filed with the Commission and are available for public inspection during regular business hours at the Commission offices. The Application and exhibits are also available on the Commission's web site at www.puc.idaho.gov. Click on the "File Room" tab at the top of the page, scroll down to "Open Electric Cases," and then click on the case number as shown on the front of this document.

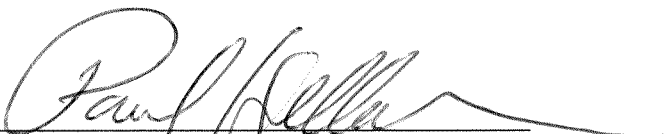
YOU ARE FURTHER NOTIFIED that all proceedings in this case will be held pursuant to the Commission's jurisdiction under Title 61 of the Idaho Code and specifically *Idaho Code* § 61-524. The Commission may enter any final Order consistent with its authority under Title 61.

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.*


ORDER

IT IS HEREBY ORDERED that all persons interested in commenting in this matter submit their written comments to the Commission no later than October 24, 2013. Avista may file a reply (if necessary) no later than October 31, 2013.

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 10th
day of September 2013.



PAUL KJELLANDER, PRESIDENT

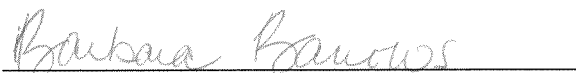


MACK A. REDFORD, COMMISSIONER



MARSHA H. SMITH, COMMISSIONER

ATTEST:



Barbara Barrows
Assistant Commission Secretary

bls/O:AVU-E-13-06_dh