

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)	
TREATMENT OF COSTS RELATED TO)	ORDER NO. 32917
IMPROVING DISSOLVED OXYGEN)	
LEVELS IN LAKE SPOKANE)	

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.

On September 10, 2013, the Commission issued a Notice of Modified Procedure requesting public comment on Avista’s Application for an accounting order. The only comments filed in response to the Commission’s Notice were submitted by the Commission Staff. Based upon our review of the Application and the comments, we grant the Company’s request for an accounting order.

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 entire project. 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. For example, one alternative 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. After examining the various alternatives, the WDOE adopted an alternative that requires 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.

THE APPLICATION

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.” Application 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	<u>\$ 298,840</u>
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

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 COMMENTS

Based upon its review of the Application, Staff recommended the Commission issue the requested accounting order. Staff noted that authorizing an accounting order would provide the Company with an opportunity to recover the costs associated with operation of its Long Lake hydroelectric project. Staff maintained that Idaho customers currently share in the benefits from the generation of electricity at the Company’s Long Lake project.

Staff also concurred with the proposed accounting treatment to record the TMDL project costs. Staff agreed that the deferred costs be transferred from Account 107.0 (CWIP) to Account 182.3 (Other Regulatory Assets – Idaho). Staff agreed that the current production/transmission allocation ratio is a reasonable means to allocate these expenses between Washington and Idaho. Staff also concurred that no carrying charges be accrued on these deferred expenses. Finally, Staff recommended that recovery of the deferred expenses be reviewed in the Company’s next general rate case or other future proceeding as the Commission deems appropriate. Staff specifically reserved the examination of prudence for the deferred expenses until such time as the Company seeks recovery in rates.

FINDINGS

Based upon our review of Avista’s Application and Staff comments, we find it is reasonable to grant the request for an accounting order authorizing the Company to record and defer its expenses associated with improving the dissolved oxygen levels in Lake Spokane. Given the agreement between the Company and Staff, we approve the proposed accounting treatment. The Idaho jurisdictional cost of \$468,893 should be transferred from FERC Account 107.0 (CWIP) to FERC Account 182.3 (Other Regulatory Assets – Idaho). Consistent with the Company’s Application and comments, we find it appropriate that no carrying charges should accrue on this account and the production/transmission allocation ratio is a reasonable means to

allocate these costs between the Washington and Idaho jurisdictions. The Commission specifically reserves its right to examine the prudence of the deferred expenses when the Company seeks recovery of these expenses in Idaho rates.

ORDER

IT IS HEREBY ORDERED that Avista's Application for an accounting order regarding its expenses related to improving dissolved oxygen levels in Lake Spokane is granted as set out in greater detail above. No carrying charges shall be accrued on these deferred expenses.


IT IS FURTHER ORDERED that the Commission specifically reserves judgment on the prudence of these deferred expenses until such time as the Company seeks to recover these expenses in Idaho rates.

THIS IS A FINAL ORDER. Any person interested in this Order (or in issues finally decided by this Order) or in interlocutory Orders previously issued in this Case No. AVU-E-13-06 may petition for reconsideration within twenty-one (21) days of the service date of this Order with regard to any matter decided in this Order or in interlocutory Orders previously issued in this case. 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 31st
day of October 2013.



PAUL KJELLANDER, PRESIDENT

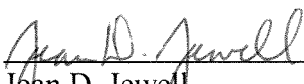


MACK A. REDFORD, COMMISSIONER



MARSHA H. SMITH, COMMISSIONER

ATTEST:



Jean D. Jewell
Commission Secretary

bls/O:AVU-E-13-06_dh2