

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION)	CASE NO. AVU-E-19-02
OF AVISTA FOR AN ACCOUNTING ORDER)	AVU-G-19-01
AUTHORIZING ACCOUNTING)	
TREATMENT OF COSTS RELATED TO)	
ALLOWANCE FOR FUNDS USED DURING)	ORDER NO. 34326
CONSTRUCTION)	

On February 1, 2019, Avista Corporation (“Avista” or “Company”) filed an Application seeking authorization of accounting and ratemaking treatment related to its Allowance for Funds Used During Construction (“AFUDC”). On March 1, 2019, the Commission issued a Notice of Application and Notice of Modified Procedure setting comment and reply comment deadlines. Order No. 34261. Commission Staff timely filed comments; no other comments were received. The Commission now issues this Order approving the Application.

BACKGROUND

AFUDC includes the cost of debt and equity used to finance utility plant additions during the construction period. During construction, AFUDC is capitalized as part of the cost of the utility plant. The Company is permitted to recover the capitalized AFUDC by including it in rate base after the plant is placed in service. The Company capitalizes AFUDC in Washington, Idaho, and Oregon on a monthly basis using the rate of return established in its most recent Washington general rate case. The Company’s most recent rate of return approved by the Washington Utilities and Transportation Commission is 7.50%.

The Federal Energy Regulatory Commission (“FERC”) also maintains an AFUDC rate. The FERC AFUDC rate is calculated based on guidance in the Uniform System of Accounts. FERC set its AFUDC rate at 6.12% in 2018. FERC has indicated that if the FERC AFUDC rate differs from the state-approved rate, the capitalized AFUDC should be split between the utility plant and a regulatory asset. The amount capitalized in the utility plant is to be based on the FERC AFUDC rate. The amount included in the regulatory asset is to be the difference between the state AFUDC rate and the FERC AFUDC rate.

THE APPLICATION

The Company requests Commission approval to defer the difference between the state AFUDC rate and the FERC AFUDC rate as a regulatory asset and amortize this regulatory asset

over the composite remaining life of the plant-in-service. The Company also requests authorization of a deferred accounting treatment for the decrease in deferred federal income taxes (“DFIT”) that will result from the accounting change for the equity portion of the AFUDC. The Company states that neither of the recommended changes would change Avista’s overall rate base. The Company states it will address the return of these deferred costs to customers, approximately \$1.7 million on a system basis, in either its next general rate case or in a future proceeding. The Company states it has filed similar cases in Washington and Oregon. The Company asks the Commission to apply the changes prospectively, beginning January 1, 2018.

COMMENTS

Staff filed the only comments, and recommended the Commission approve the Application. Staff determined that the recommended changes would not alter Avista’s overall rate base or affect ratepayers.

COMMISSION FINDINGS AND DECISION

The Commission has jurisdiction over this matter under *Idaho Code* §§ 61-502 and 61-503. The Commission has the express statutory authority to investigate rates, charges, rules, regulations, practices, and contracts of public utilities and to determine whether they are just, reasonable, preferential, discriminatory, or in violation of any provision of law, and may fix the same by order. *Idaho Code* §§ 61-502 and 61-503. We have reviewed the Application and the comments of Commission Staff. Based on our review, we find it reasonable to approve the Application. There will be no impact on the Company’s overall rate base, and the move will align the Company’s practices with FERC procedures.

ORDER

IT IS HEREBY ORDERED that the Company’s Application for accounting and ratemaking treatment related to its AFUDC is approved.

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 with regard to any matter decided in 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 *2nd*
day of May 2019.



PAUL KJELLANDER, PRESIDENT




KRISTINE RAPER, COMMISSIONER



ERIC ANDERSON, COMMISSIONER

ATTEST:



Diane M. Hanian
Commission Secretary

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