

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

**IN THE MATTER OF THE APPLICATION)
OF AVISTA CORPORATION FOR) CASE NO. AVU-E-06-03
AUTHORIZATION TO DEFER THE COST)
OF A LOAN RELATED TO GRID WEST) ORDER NO. 30151
_____)**

On April 27, 2006, Avista Corporation filed an Application requesting an accounting order from the Commission authorizing the deferral of costs the Company incurred relating to the development of a regional transmission organization (RTO). Avista participated in efforts to develop an RTO, called Grid West, consistent with orders issued by the Federal Energy Regulatory Commission (FERC) and that agency's attempt to develop and enhance a national electric wholesale market. Avista provided loans for startup costs to the RTO to retain experts and facilitators. In April, the Grid West Board of Directors approved a Plan for Dissolution of Grid West, making it unlikely that Grid West will be developed, or that Avista's loans will be repaid.

Avista requests authorization to defer the amounts it loaned to Grid West, with interest, in the development process. According to Avista's Application, the current balance of Avista's loan to Grid West is \$1,217,499.26, including interest of \$188,187.34. Avista estimates that the amount attributable to its Idaho jurisdiction is \$421,620 including interest. Avista's Application stated that it also incurred internal costs, such as employee salaries, employee travel, and legal expenses, but it did not include these costs in its Application for deferral.

On June 29, 2006, the Commission issued a Notice of Application and Notice of Modified Procedure, establishing a deadline for the filing of written comments. Only Commission Staff filed comments. Staff reviewed the Company's Application as well as relevant FERC Orders, and recommended that the Commission authorize deferral of only the principal amount Avista loaned to Grid West. Staff recommended Avista book the principal amount of the funding agreements with Grid West to account 182.3 (Other Regulatory Assets), and that a separate sub-account be maintained to provide details on the \$1,029,311.92 total system cost, as well as the \$356,450.72 for the Idaho jurisdiction, not including interest. Staff also recommended that the Company begin amortization of the deferred balance at the

conclusion of its next general rate case or on January 1, 2010, whichever occurs first, using a five-year amortization period.

We find, on the record presented, that it is appropriate to approve Avista's Application insofar that it requests authorization to defer the principal amount that it loaned to Grid West, or \$356,450.72 attributable to its Idaho jurisdiction. As stated in Avista's Application, Avista and other northwest electric utilities were strongly encouraged by FERC to develop an RTO, or explain why an RTO could not be developed. Avista's participation in the development of Grid West, and the loans it made for that effort, were prudent and in the public interest. It would be unfair to disallow deferral of the amount Avista loaned to Grid West.

Although Avista prudently participated in the Grid West development process, it does not automatically follow that Avista's retail customers should pay all costs related to the unsuccessful effort. Avista's Application states that its loans to Grid West were for start up costs, including "retaining experts and facilitators, as well as other expenses associated with transmission studies and stakeholder participation." Application p. 2. Had Grid West been successfully organized, the amount loaned by Avista would have been repaid through surcharges to customers using the transmission system. The interest on the amount repaid to Avista most likely would have accrued to the benefit of its shareholders, not its retail customers.

Avista in its Application identifies some potential benefit from its experience with Grid West. Avista and five other electric utilities recently formed a non-profit organization called ColumbiaGrid to pursue "improvements to ways in which the region's transmission providers operate and manage the region's transmission system." Application p. 3. Avista asserts that ColumbiaGrid "will be using many of the concepts and technical work that began under Grid West, [so that] the Company and region will benefit from the prior work of Grid West." Application p. 3. This potential benefit is a reason to allow recovery of the principal amount but does not justify requiring customers to pay interest.

The Commission finds that it was prudent and in the public interest for Avista to participate in the development process for Grid West, and that it was reasonable for Avista to make start-up loans to Grid West. We therefore authorize deferral of the principal amount of those loans, specifically the amount of \$356,450.72 attributable to its Idaho jurisdiction. We find Staff's recommendation of a five-year amortization period to be reasonable, and direct that the


amortization begin as of January 1, 2007. Avista did not request a carrying charge as part of the deferred account, and we approve none.

ORDER

IT IS HEREBY ORDERED that Avista is authorized to defer in a separate sub-account the principal amount that it loaned to Grid West, specifically the amount of \$356,450.72 attributable to its Idaho jurisdiction. Avista is authorized to amortize the deferral over a five-year period, beginning January 1, 2007.

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 24th day of October 2006.



PAUL KJELLANDER, PRESIDENT

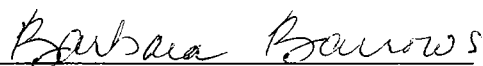


MARSHA H. SMITH, COMMISSIONER



DENNIS S. HANSEN, COMMISSIONER

ATTEST:



Barbara Barrows
Assistant Commission Secretary

O:AVU-E-06-03_ws2