

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION)	CASE NOS. AVU-E-19-15
OF AVISTA CORPORATION, D/B/A AVISTA)	AVU-G-19-09
UTILITIES FOR AN ACCOUNTING ORDER)	
AUTHORIZING ACCOUNTING AND)	ORDER NO. 34621
RATEMAKING TREATMENT OF AFUDC)	
(ALLOWANCE FOR FUNDS USED DURING)	
CONSTRUCTION))	

On December 31, 2019, Avista Corporation (“Avista” or “Company”) applied for authorization of its proposed accounting and ratemaking treatment to a portion of its Allowance for Funds Used During Construction (“AFUDC”) for January 1, 2010, through December 31, 2017. The Company requested that the Commission process this case by Modified Procedure.

On February 4, 2020, the Commission issued Notice of Application, Notice of Modified Procedure and Order setting comment and reply deadlines. Order No. 34351. The Commission Staff (“Staff”) filed the only comments and recommended the Commission approve the Application. The Company did not reply.

With this Order, we approve the Company’s 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 monthly 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. FERC calculates its AFUDC rate based on guidance in the Uniform System of Accounts. FERC’s AFUDC rate was 6.12% in 2018. FERC has indicated that if its 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 in the regulatory asset is to be the difference between the state AFUDC rate and the FERC AFUDC rate.

On May 2, 2019, the Commission approved Avista's request to defer the difference between the state AFUDC rate and the FERC AFUDC rate as a regulatory asset to be amortized over the composite remaining life of the plant-in-service beginning in January of 2018 and continuing forward. *See* Order No. 34326 at 3. The Commission also authorized Avista to use deferred accounting for the decrease in deferred federal income taxes that would result from the accounting change for the equity portion of the AFUDC. *Id.*

APPLICATION

Consistent with the authority granted to it in Order 34326, Avista requests Commission authorization to defer part of the AFUDC-related costs as follows:

For the period January 1, 2010 through December 31, 2017, authorize the Company to defer the AFUDC difference calculated between using the State AFUDC rate and the FERC AFUDC rate as a regulatory asset (i.e. FERC Account No. 182.3), which would be included in rate base, and amortize this regulatory asset over the composite remaining life of the plant-in-service, as described in this Application. This proposed treatment would result in no impact to overall rate base, nor impact present customers' rates.

Application at 2. The Company makes this request based on FERC recommendations. *Id.* at 3.

Using the proposed accounting described above, the Company's level of rate base and depreciation/amortization expense does not change. *Id.* at 4. Based on FERC'S recommendations in the Audit Report, Exhibit 1, at page 26, the Company recalculated the AFUDC amounts from January 1, 2010, through December 31, 2017, to determine excess AFUDC that had been capitalized using the state AFUDC rate instead of the FERC rate. *Id.* On a system basis, this amount is about \$37.7 million. *Id.* After adjusting for accumulated depreciation, the Company would transfer about \$32.8 million from plant rate base (FERC Account No. 101 - Plant in Service) to a regulatory asset rate base (FERC Account No. 182.3 - Regulatory Asset (AFUDC)).¹ *Id.* at 5.

COMMENTS

Based on its review of Avista's Application and the FERC Audit Report, Staff recommended the Commission approve the Company's proposed accounting and ratemaking

¹ Idaho's electric share is approximately \$8.5 million and the State's natural gas share is approximately \$0.8 million.

treatment for AFUDC. *Staff Comments* at 3. Staff noted the proposed accounting treatment would not change customer rates. *Id.*

COMMISSION FINDINGS AND DECISION

The Commission has jurisdiction over this matter under *Idaho Code* §§ 61-502 and 61-503. The Commission is statutorily authorized 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 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 recommendations and procedures.

ORDER

IT IS HEREBY ORDERED that the Company's Application for accounting and ratemaking treatment related to its AFUDC for January 1, 2010, through December 31, 2017, 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 and 62-619.

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DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 7th day of April 2020.



PAUL KJELLANDER, PRESIDENT

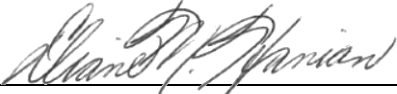


KRISTINE RAPER, COMMISSIONER



ERIC ANDERSON, COMMISSIONER

ATTEST:



Diane M. Hanian
Commission Secretary

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