

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

<b>IN THE MATTER OF AVISTA’S</b>	)	<b>CASE NO. AVU-E-21-06</b>
<b>APPLICATION FOR AN ACCOUNTING</b>	)	<b>AVU-G-21-05</b>
<b>ORDER AUTHORIZING ACCOUNTING</b>	)	
<b>AND RATEMAKING TREATMENT OF</b>	)	
<b>COSTS RELATED TO ALLOWANCE FOR</b>	)	<b>ORDER NO. 35148</b>
<b>FUNDS USED DURING CONSTRUCTION</b>	)	

On July 6, 2021, Avista Corporation dba Avista Utilities (“Company”) applied to the Commission for authorization of accounting and ratemaking treatment related to Allowance for Funds Used During Construction (“AFUDC”). The Company requested its Application be processed by modified procedure.

On July 22, 2021, the Commission issued a Notice of Application and established dates for public comments and the Company’s reply. Staff filed comments. The Company filed comments acknowledging and agreeing with Staff’s positions.

The Commission now issues this final Order approving the Company’s Application, as described below.

**THE APPLICATION**

AFUDC represents the cost of the debt and the equity funds used to finance utility plant additions during the construction period. AFUDC is capitalized during construction as part of the cost of utility plant and the Company is authorized to recover the capitalized AFUDC through its inclusion in rate base and the provision for depreciation after a related utility plant is placed in service.

The Company seeks authority to amortize the regulatory asset<sup>1</sup> using the approved depreciation rate by plant Federal Energy Regulatory Commission (“FERC”) account that has been approved by the Commission in the most recent depreciation study and to be able to update the amortization rate with each depreciation study going forward.

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<sup>1</sup> The Company was authorized to defer the difference calculated between the state regulatory AFUDC rate and the FERC AFUDC rate and amortize the balance over the composite remaining life of the plant-in-service. *See* Order No. 34326.

The AFUDC capitalized to plant-in-service is depreciated at a rate determined by a depreciation study at the individual plant account level that is performed periodically.<sup>2</sup>

The Company has received approval from the Washington Utilities and Transportation Commission and will request approval from the Public Utility Commission of Oregon to use the same method of amortization of the deferred AFUDC costs it seeks approval to use in Idaho.<sup>3</sup>

### **THE COMMENTS**

Staff filed comments supporting the Company's Application. Staff recommended the Commission approve the Company's Application. Staff also recommended the amortization rate be updated periodically as the Company receives authorization of new depreciation rates.

Staff recalled that when the Company filed the original accounting application to defer a portion of the AFUDC in Case Nos. AVU-E-19-02 and AVU-G-19-01, the Commission approved the Company's request to amortize the AFUDC regulatory asset using a composite rate of depreciation expense for all plant-in-service. At that time, the Company did not know the capabilities of the software it uses to track the deferred AFUDC costs. Staff noted the Company is working with its software vendor to automate the deferral, tracking, and amortization of the deferred AFUDC costs. The Company stated that the software has the capability to amortize the regulatory asset in the same manner as the other AFUDC capitalized to plant-in-service.

Staff noted that by maintaining uniform utility accounts and AFUDC methods for common plant consistent among the Company's regulatory jurisdictions, the Company will not need to keep multiple sets of depreciation accounts and records that would have to be adjusted annually for changes in allocation factors—eliminating a costly administrative burden on the Company and unnecessary expense for customers.

### **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

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<sup>2</sup> The Company's last depreciation study was approved March 19, 2019, in Case Nos. AVU-E-18-03 and AVU-G-18-02. See Order No. 34276.

<sup>3</sup> The Company states it is critical to maintain uniform utility accounts and AFUDC methods for common plant among the Company's regulatory jurisdictions.


comments of Commission Staff. Based on our review, we authorize the Company to amortize the regulatory asset over the same depreciable life for each plant FERC account. There will be no impact on the Company's overall rate base, and the move will align the Company's practices with FERC procedures. We direct the Company to update its amortization rate periodically as new depreciation rates are approved.

**ORDER**

IT IS HEREBY ORDERED that the Company's proposed accounting treatment to amortize the AFUDC regulatory asset over the depreciable life for each plant FERC account using the Company's current depreciation rates is approved. The Company should update the amortization rate periodically with the approval of new depreciation rates.

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 regarding 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.*

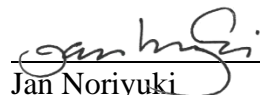
DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 27<sup>th</sup> day of August 2021.

  
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PAUL KJELLANDER, PRESIDENT

  
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KRISTINE RAPER, COMMISSIONER

  
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ERIC ANDERSON, COMMISSIONER

ATTEST:

  
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Jan Noriyuki  
Commission Secretary

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