

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

**IN THE MATTER OF THE APPLICATION )  
OF AVISTA CORPORATION FOR AN ) CASE NO. AVU-G-05-3  
ACCOUNTING ORDER REGARDING ) AVU-E-05-9  
TREATMENT OF CERTAIN ASSET )  
RETIREMENT OBLIGATIONS RESULTING )  
FROM IMPLEMENTATION OF SFAS 143 ) ORDER NO. 29962  
)**

---

On November 30, 2005, Avista Corporation (“Avista” or “Company”) filed an Application with the Idaho Public Utilities Commission (“Commission”) seeking an accounting order authorizing the Company to treat certain asset retirement obligations (“AROs”) for the current and future fiscal years in accordance with Statement of Financial Accounting Standards (SFAS) 143. Pursuant to *Idaho Code* § 61-524, the Commission is empowered to establish a system of accounts to be kept by public utilities subject to its jurisdiction.

In its Application, Avista has requested an accounting order authorizing the Company to (1) record, as a regulatory asset or a regulatory liability, the cumulative financial statement impact resulting from the Company’s implementation of SFAS 143; and (2) record, on an ongoing basis, as a regulatory asset or a regulatory liability, an amount equal to the difference between the annual SFAS 143 accretion and depreciation expense and the annual depreciation expense based on Commission-approved depreciation rates. Under SFAS 143, entities are required to recognize and account for certain asset retirement obligations in a manner different from the way that Avista and other public utilities have traditionally recognized and accounted for such costs. Specifically, if a legally enforceable ARO, as defined by SFAS 143, is deemed to exist, an entity must measure and record the liability for the ARO on its books.

Avista is required to implement SFAS 143 as clarified by FASB interpretation (FIN) 47 in order to comply with generally accepted accounting principles. Due to the lack of an active market for AROs, Avista intends to use the expected present value method to determine its ARO liabilities and offsetting assets. The accounting changes proposed by Avista are supported by a series of workpapers identifying the proposed journal entries the Company believes are needed to comply with SFAS 143. The Company states that the proposed accounting treatment will

have no impact for ratemaking purposes. The Company further states that nothing in the Application is intended to request any approval regarding future ratemaking treatment.

### **STAFF RECOMMENDATION**

On December 20, 2005, the Commission issued a Notice of Application and a Notice of Modified Procedure with regards to this matter. During the written comment period allowed by the Commission, only Staff filed written comments.

Although Staff's review identified immaterial inconsistencies in Avista's Application, Staff recommended approval for Avista to record, as a regulatory asset or regulatory liability, the cumulative financial statement impact resulting from the implementation of SFAS 143, and to record the ongoing annual differences between the SFAS 143 depreciation and accretion expenses and the annual depreciation expenses that are currently authorized by the Commission in depreciation rates.

Staff recommended that the Company record in separate sub-accounts the depreciation expense for asset retirement costs and the accretion of the liability for the asset retirement obligations. Staff believes this will aid tracking these items in subsequent cases.

Staff also recommended that the Commission require in its accounting order that Avista file annually and as part of its rate case filings, all journal entries made under the requirements of SFAS 143, including documents supporting the determination of regulatory assets and liabilities and related dollar amounts. Due to the nature of these entries, Staff will be reviewing the underlying support for them during analyses of assets and depreciation. As a result, Staff recommended that the Company maintain financial records associated with these entries similar to the long-lived assets to which they relate.

Because these new accounting entries will not change the level of the costs included in rates, Staff made no recommendation regarding the treatment of SFAS 143 regulatory assets and regulatory liabilities in future rate cases.


### **ORDER**

IT IS HEREBY ORDERED that the Application of Avista Corporation for an accounting order for the treatment of certain asset retirement obligations resulting from implementation of SFAS 143, Case Nos. AVU-E-05-9 and AVU-G-05-3, is approved. The Company is directed to record in separate sub-accounts the depreciation expense for asset

retirement costs and the accretion of the liability for the asset retirement obligation. The Company is further directed to file annually and as part of its rate case filings, all journal entries made under the requirements of SFAS 143, including documents supporting the determination of regulatory assets and liabilities and related dollar amounts.

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.

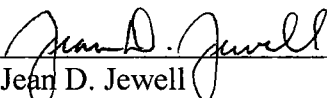
DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 26<sup>th</sup> day of January 2006.

  
\_\_\_\_\_  
PAUL KJELLANDER, PRESIDENT

  
\_\_\_\_\_  
MARSHA H. SMITH, COMMISSIONER

  
\_\_\_\_\_  
DENNIS S. HANSEN, COMMISSIONER

ATTEST:

  
\_\_\_\_\_  
Jean D. Jewell  
Commission Secretary

O:AVU-G-05-03\_AVU-E-05-09\_cg2