

DECISION MEMORANDUM

TO: COMMISSIONER KJELLANDER
COMMISSIONER SMITH
COMMISSIONER HANSEN
COMMISSION SECRETARY
COMMISSION STAFF
LEGAL

FROM: WELDON STUTZMAN

DATE: AUGUST 24, 2006

SUBJECT: CASE NO. AVU-E-06-3
AVISTA CORPORATION'S REQUEST TO DEFER THE COSTS
RELATED TO GRID WEST, A REGIONAL TRANSMISSION
ORGANIZATION

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, now called Grid West, pursuant to orders issued by the Federal Energy Regulatory Commission (FERC). Avista states it provided startup costs to the RTO to retain experts and facilitators, and that the current balance of Avista's loan to Grid West is \$1,217,499.26, which includes interest of \$188,187.34. Avista estimates that the total amount of the deferred amount is \$421,620 for the Idaho jurisdiction. Because it now appears the development of Grid West is unlikely, Avista requests authorization to defer the amounts it loaned to Grid West, with interest, in the development process.

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. Comments were filed only by the Commission Staff.

Staff reviewed the Company's Application as well as relevant FERC Orders. Staff stated that Avista's participation in Grid West complied with FERC Orders and FERC's attempt to protect and provide additional benefits to customers. Staff recommended that the Commission authorize Avista to 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 for the

\$1,029,311.92 total system cost, \$356,450.72 for the Idaho jurisdiction, not including interest. Staff also recommended that the recovery of these costs and the amortization period used for recovery be addressed in the Company's next general rate case filing.

Staff stated that Avista should not be allowed to defer for future recovery the amount of interest accrued on the promissory notes to Grid West because, had Grid West been successful, the interest on these loans would have been paid by Grid West as a return on Avista's investment in the RTO. Furthermore, because Avista never had any cash outlay for the interest portion, Staff believes the return of the actual expenditure without interest is sufficient recovery for the utility.

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. Staff believes that the initial amortization period should be five years unless a different time period is supported by a party in a general rate case and is approved by the Commission.

COMMISSION DECISION

Should the Commission issue an Order authorizing deferral of the amount Avista loaned to Grid West? If so, should the amount for deferral include interest (thus totaling \$421,620) or not include interest (thus totaling \$356,450.72) for Avista's Idaho jurisdictional services?

Should the Order include a date for amortization to begin and the amortization period?



Weldon Stutzman

bls/M:AVU-E-06-03_ws