

Avista Corp.  
1411 East Mission P.O. Box 3727  
Spokane, Washington 99220-0500  
Telephone 509-489-0500  
Toll Free 800-727-9170



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IDAHO PUBLIC  
UTILITIES COMMISSION

VIA OVERNIGHT MAIL

June 3, 2008

Ms. Jean D. Jewell  
Commission Secretary  
Idaho Public Utilities Commission  
472 W. Washington  
Boise, ID 83702-5983

Re: Case No. AVU-E-08-04  
Application of Avista Corporation for an Order Authorizing the Accounting of Wind  
Generation Site Costs as Construction Work in Progress.

Dear Ms. Jewell:

Enclosed is Avista's Application for an Order Authorizing the Accounting of Wind Generation Site  
Costs as Construction Work in Progress. The filing consists of an original and seven copies of  
Avista's Application.

Please direct any questions regarding this filing to Ron McKenzie at (509) 495-4320.

Sincerely,

A handwritten signature in cursive script that reads "Kelly Norwood".

Kelly Norwood  
Vice President, State and Federal Regulation

Enclosure

c: See attached service list

**CERTIFICATE OF SERVICE**

**I HEREBY CERTIFY** that I have served Avista Corporation's Application for an Order Authorizing the Accounting of Wind Generation Site Costs as Construction Work in Progress, by mailing a copy thereof, postage prepaid to the following:

Ms. Jean D. Jewell  
Commission Secretary  
Idaho Public Utilities Commission  
472 W. Washington  
Boise, ID 83720-5983

Scott Woodbury  
Deputy Attorney  
Idaho Public Utilities Commission  
472 W. Washington  
Boise, ID 83702-0074

Pamela Mull  
Vice President & General Counsel  
Potlatch Corporation  
601 West First Ave., Suite 1600  
Spokane, WA 99201

Dated at Spokane, Washington this 3rd day of June 2008.



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Patty Olsness  
Rates Coordinator

Kelly O. Norwood  
Vice President  
State and Federal Regulation  
Avista Corporation  
1411 E. Mission Avenue  
P. O. Box 3727  
Spokane, Washington 99220  
Phone: (509) 495-4267, Fax: (509) 495-8851

RECEIVED  
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IDAHO PUBLIC  
UTILITIES COMMISSION

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION )  
OF AVISTA CORP. dba AVISTA UTILITIES ) Case No. AVU-E-08-04  
FOR AN ORDER AUTHORIZING THE ) APPLICATION OF AVISTA  
ACCOUNTING OF WIND GENERATION SITE ) CORPORATION  
COSTS AS CONSTRUCTION WORK IN PROGRESS )

**I. INTRODUCTION**

1. Avista Corporation, doing business as Avista Utilities (hereinafter Avista or Company), at 1411 East Mission Avenue, Spokane, Washington, pursuant to Section 61-524 Idaho Code and Rule 52 of the Idaho Public Utilities Commission (“Commission Rules of Procedure”), hereby petitions the Commission for an order allowing for costs associated with wind generation site land, land rights, reservation costs, and other incremental costs associated with site evaluation, selection, and acquisition to be accounted for as construction work in progress (CWIP), and allowing for the accrual of allowance for funds used during construction (AFUDC). Avista also requests that this application be presented under the rules for modified procedure.
2. Avista is a utility that provides service to approximately 352,000 electric customers and 215,000 natural gas customers in a 26,000-square-mile area in eastern Washington and northern Idaho. Avista Utilities also serves 95,000 natural gas customers in Oregon. The largest community served in the area is Spokane, Washington, which is the location of the

corporate headquarters. Communications in reference to this Application should be addressed to:

Kelly O. Norwood  
Vice President  
State and Federal Regulation  
Avista Corporation  
1411 E. Mission Avenue  
Spokane, Washington 99220  
Phone: (509) 495-4267  
Fax: (509) 495-8851  
E-mail: [kelly.norwood@avistacorp.com](mailto:kelly.norwood@avistacorp.com)

David J. Meyer, Esq.  
Vice President and Chief Counsel of  
Regulatory and Governmental Affairs  
Avista Corporation  
1411 E. Mission Avenue  
Spokane, Washington 99220  
Phone: (509) 495-4316  
Fax: (509) 495-8851  
E-mail: [david.meyer@avistacorp.com](mailto:david.meyer@avistacorp.com)

## II. BACKGROUND

3. In the current Electric Integrated Resource Plan (IRP), submitted in August of 2007, Avista discussed the strategic resource portfolio that will meet future electric load requirements, promote environmental stewardship and meet obligations to provide reliable electric service to customers at fair and reasonable rates. Avista's preferred resource plan in the IRP calls for the acquisition of 300 megawatts of wind generation capacity.
4. Wind generation has proven to be the most commercially viable technology for meeting the renewable portfolio standards discussed in the IRP. In order to fulfill the preferred resource plan, the Company has been actively seeking rights to develop wind generation sites. Wind generation sites take a long span of time to procure and develop. That, coupled with an increasing demand and a limited availability of sites, makes securing cost-effective land rights, sooner rather than later, a priority.
5. On May 1, 2008 the Company purchased permits, studies, lease assignments and four years of wind data for the development of a wind generation site near Reardan, Washington. The construction for this site is estimated to begin in 2011. This project is expected to

generate approximately 50 megawatts of capacity, and approximately 15 average megawatts of energy production. The market for wind turbines is very tight, with some manufacturing capacity sold years in advance. The supply constraints are unlikely to ease because of the increasing number of states adopting renewable energy goals and increased international competition for wind turbines. In order to meet the 2011 construction date, the Company will have to commit to making non-refundable reservation payments and other initial payments for the purchase of wind turbines to meet a commercial operation date by the end of 2011. In addition to wind turbine down payments, the Company will need to make transformer down payments, incur site preparation costs, and make equipment payments over the next three years. The Company is requesting to have all reservation payments and all other costs associated with development of the wind generation site accounted for as CWIP.

### **III. PROPOSED ACCOUNTING TREATMENT**

6. In this filing, the Company is requesting an order allowing for costs associated with wind generation site land, land rights, reservation costs, and other incremental costs associated with site evaluation, selection, and acquisition to be accounted for in FERC Account 107 - CWIP, and allowing for the accrual of AFUDC. Incremental costs include, but are not limited to, consulting fees, study costs, legal fees, permit acquisition costs, wind data collection costs, governmental agency approval costs, lease costs, travel costs, as well as the other equipment procurement costs discussed above. AFUDC would accrue on CWIP until the plant is placed in service. Depreciation would begin when the plant is placed in service.
7. The time from when initial wind generation site costs are accumulated to the time of construction is an unknown period of time. The proposed accounting treatment would

provide the Company with the opportunity to recover its carrying costs, through the accrual of AFUDC, associated with wind project costs. The prudence of the costs for ratemaking purposes would be addressed in a future proceeding.

8. Commission authorization is required to account for wind generation site costs in FERC Account 107 – CWIP, since normally this account is used when plant is in the process of construction. Given the lead time between the expenditures for site costs and the ordering of equipment and start of construction at the site, it is necessary to obtain Commission approval to account for these costs in Account 107 – CWIP.
9. Given the recent wind site transaction, the Company requests that the accounting order to account for these costs as construction work in progress be issued as soon as possible.

#### **IV. REQUEST FOR RELIEF**

10. WHEREFORE, Avista respectfully requests that the Commission issue an Order allowing the classification of the wind site generation related costs described above as construction work in progress and the accrual of AFUDC until the project is placed into service.
11. The Company requests that the matter be processed under the Commission's Modified Procedure rules through the use of written comments.

Dated at Spokane, Washington this 3<sup>rd</sup> day of June 2008.

AVISTA CORPORATION

BY Kelly Norwood  
Kelly O. Norwood  
Vice President  
State and Federal Regulation

