

DECISION MEMORANDUM

**TO: COMMISSIONER REDFORD
COMMISSIONER SMITH
COMMISSIONER KEMPTON
COMMISSION SECRETARY
COMMISSION STAFF
LEGAL**

**FROM: WELDON STUTZMAN
DEPUTY ATTORNEY GENERAL**

DATE: JULY 22, 2008

**SUBJECT: CASE NO. AVU-E-08-04
AVISTA CORPORATION'S APPLICATION FOR WIND GENERATION
COSTS TO BE CONSTRUCTION WORK IN PROGRESS**

On June 4, 2008, Avista Corporation filed an Application 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 as construction work in progress (CWIP), and allowing for the accrual of allowance for funds used during construction (AFUDC)." Avista's Integrated Resource Plan calls for the acquisition of 300 MW of wind generation capacity.

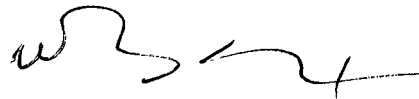
The Application states that in May the Company purchased permits, studies, lease assignments and wind data for the development of a wind generation site near Reardan, Washington. The Company is requesting to have all reservation payments and other costs associated with development of the site accounted for as CWIP. According to the Application, Commission authorization is required to account for wind generation site costs in FERC Account 107-CWIP, because normally this account is used when plant is in the process of construction. Construction at the site is not expected to begin until 2011. Given the lead time between the expenditures for site costs, the ordering of equipment and start of construction, Avista states it is necessary to obtain Commission approval to account for these costs in Account 107-CWIP.

On June 25, 2008, the Commission issued a Notice of Application and Notice of Modified Procedure that, among other things, established a period for interested parties to file comments. Written comments were filed only by Staff.

Staff recommends the Commission authorize Avista to book the described costs associated with wind generation site land, land rights, reservation costs and other incremental costs as CWIP, and that Avista be required to utilize a separate subaccount for the AFUDC and maintain workpapers identifying the components of AFUDC.

COMMISSION DECISION

Should Avista Corporation's Application for an accounting order authorizing wind generation site costs as construction work in progress be approved?



Weldon B. Stutzman
Deputy Attorney General

bls/M:AVU-E-08-04_ws2