



Avista Corp.

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

March 17, 2016

Washington Utilities and Transportation Commission
1300 S. Evergreen Park Drive S. W.
P.O. Box 47250
Olympia, Washington 98504-7250

Attention: Mr. Steven King, Executive Director & Secretary

Re: **Docket No. UE-152391**

Withdrawal of Petition of Avista Corporation for an Order Concerning the
Accounting and Ratemaking Treatment for Extraordinary Storm Costs

Dear Mr. King,

Avista hereby withdraws its Petition of Avista Corporation for an Order Concerning the Accounting and Ratemaking Treatment for Extraordinary Storm Costs in the above-referenced Docket.

The severe wind storm on November 17, 2015 that struck Avista's Eastern Washington service area caused more customer outages than at any time in the Company's 126 year history. At the peak of the outage Avista had approximately 180,000 of its total 372,000 electric customers out of service. Restoration of the last customer was accomplished at 3:45 AM on November 27, 2015.

In the weeks immediately following the storm event, Avista did not have a complete accounting of the total costs associated with restoring its electrical system. Avista does not have a mechanism to recover storm damage costs in between general rate cases, but has the opportunity to request recovery of extraordinary storm damage costs by requesting deferred accounting treatment of those costs for potential later recovery in retail rates.

On December 18, 2015, Avista filed a petition with the Commission to establish a docket to address the accounting treatment of the storm damage costs, with the understanding that the Company would provide supplemental information on the actual costs of the restoration at a later time.

The total incremental cost to restore Avista's electrical system in Washington was \$22.3 million. Of this amount \$20.0 million was capitalized and \$2.3 million was incremental operations and maintenance (O&M) expense.¹ The capitalized portion will be depreciated and recovered over the life of the assets. The incremental expense of \$2.3 million was much lower than expected.

In Docket Nos. UE-140188 and UG-140189 an after-the-fact earnings test was adopted which requires Avista to share with customers (earnings sharing) one-half of any earnings above a 7.32% rate of return (ROR)² for 2015. The Company recently completed its 2015 earnings calculations. The 2015 Washington electric actual earned return exceeded 7.32%, including the incremental storm costs.

Avista has discussed the above-referenced storm restoration costs and the earnings sharing results with Commission Staff. The preferred approach from the discussions to address the storm restoration costs, given the relatively small incremental expense associated with the wind storm restoration and the earnings sharing results, was to include the incremental wind storm O&M expense in 2015 as a period cost, and for the Company to withdraw its accounting petition. Avista will include the incremental wind storm expense in its 2015 operating results and earnings sharing calculations for 2015, and through this letter is withdrawing its accounting petition.

As such, the Company is not seeking to defer any of the incremental wind storm O&M costs, and therefore, withdraws its Petition for an Order Concerning the Accounting and Ratemaking Treatment for Extraordinary Storm Costs.

Please direct any questions regarding this filing to me at (509) 495-4267.

Sincerely,



Kelly Norwood
Vice President, State & Federal Regulation

¹ The incremental expense was measured as the additional expenditures during the restoration period that otherwise would not have occurred if the wind storm had not occurred.

² The ROR will change over time based on the Commission-approved ROR in each general rate case.