

**BEFORE THE WASHINGTON  
UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of the Petition of

AVISTA CORPORATION, d/b/a AVISTA  
UTILITIES,

Petitioner,

For an Accounting Order Approving  
Deferred Accounting for its calculated  
Allowance for Funds Used During  
Construction and its associated federal  
income taxes.

DOCKETS UE-190074 and UG-190075

ORDER 01

GRANTING ACCOUNTING  
PETITION

**BACKGROUND**

- 1 On January 31, 2019, Avista Corporation, d/b/a Avista Utilities, (Avista or Company) filed with the Washington Utilities and Transportation Commission (Commission) a petition seeking an accounting order authorizing the Company to defer a portion of its calculated Allowance for Funds Used During Construction (AFUDC) and associated federal income taxes beginning January 1, 2018 (Petition). On December 17, 2019, Avista amended its Petition to also include AFUDC capitalized between January 1, 2010, and December 31, 2017. The proposed accounting treatment is to comply with Federal Energy Regulatory Commission (FERC) accounting standards with respect to calculating and recording AFUDC. Avista filed similar filings with the Idaho Public Utilities Commission and the Public Utility Commission of Oregon concurrently with this filing.
- 2 In its final audit report to Avista, dated September 19, 2019, FERC recommended that the company calculate and record AFUDC using the FERC-calculated AFUDC rate. Prior to the FERC audit, Avista had calculated AFUDC using the Commission-authorized rate of return (ROR). According to FERC, if the FERC AFUDC rate is different than the Commission-authorized AFUDC rate, the amount capitalized in utility plant-in-service should be based on the FERC AFUDC rate and the difference should be recorded to a regulatory asset.
- 3 Based on FERC's final audit report, Avista is required to use the FERC-calculated AFUDC rate to calculate and record AFUDC going forward, and it must recalculate AFUDC capitalized between January 1, 2010, and December 31, 2018. Avista would record the "excess" AFUDC, calculated as the difference between AFUDC calculated

using the Commission-authorized ROR versus the FERC-calculated AFUDC rate, to a regulatory asset. This reclassification would result in approximately \$39.6 million on a system basis moving from plant-in-service to a regulatory asset. The regulatory asset will be amortized over the lives of the underlying assets.

4 FERC also recommended that Avista use flow-through accounting for deferred income taxes generated by equity AFUDC. As customer rates currently include normalized deferred income tax expense, Avista will defer the tax benefit generated by equity AFUDC until the deferred income taxes calculated using the flow-through method are built into base rates.

5 Commission staff (Staff) has reviewed the Petition as well as FERC's final audit report regarding Avista's accounting for AFUDC. Staff believes that Avista's Petition is reasonable and reflects the guidance provided by FERC in its final audit report. Therefore, Staff recommends that the Commission grant the Company's Petition.

### **DISCUSSION**

6 We agree with Staff that Avista's request to reclassify excess AFUDC and for deferred accounting for associated deferred income taxes is appropriate. Because the request is to simply reclassify an asset amount, Avista's proposed accounting treatment will have no net impact on the Company's overall rate base. Accordingly, we find that the proposed accounting treatment is in the public interest and the Company's Petition should be granted.

### **FINDINGS AND CONCLUSIONS**

7 (1) The Commission is an agency of the State of Washington vested by statute with the authority to regulate the rates, rules, regulations, practices, accounts, securities, transfers of property, and affiliated interests of public service companies, including electric and natural gas companies.

8 (2) Avista is an electric and natural gas company and a public service company subject to Commission jurisdiction.

9 (3) WAC 480-07-370(3) allows companies to file petitions, including that for which Avista seeks approval.

10 (4) The Commission has reviewed the Company's petition and related work papers

filed in Dockets UE-190074 and UG-190075.

- 11 (5) This matter came before the Commission at its regularly scheduled meeting on May 7, 2020.
- 12 (6) After reviewing the Company's Petition filed in Dockets UE-190074 and UG-190075 on January 31, 2019, and giving due consideration to all relevant matters and for good cause shown, the Commission finds that the Company's Petition is consistent with the public interest and should be granted.

### **ORDER**

#### **THE COMMISSION ORDERS:**

- 13 (1) Avista Corporation, d/b/a Avista Utilities' request for deferred accounting for its calculated Allowance for Funds Used During Construction and its associated federal income is granted.
- 14 (2) This Order shall not affect the Commission's authority over rates, services, accounts, valuations, estimates, or determination of costs, on any matters that may come before it. This Order shall not be construed as an agreement to any estimate or determination of costs, or any valuation of property claimed or asserted.
- 15 (3) The Commission retains jurisdiction over the subject matter and Avista Corporation, d/b/a Avista Utilities, to effectuate the provisions of this Order.
- 16 The Commissioners, having determined this Order to be consistent with the public interest, directed the Secretary to enter this Order.

DATED at Lacey, Washington, and effective May 7, 2020.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

MARK L. JOHNSON  
Executive Director and Secretary