

Agenda Date: September 26, 2013
Item Number: E6

Docket: UE-131576
Company: Avista Corporation

Staff: E.J. Keating, Regulatory Analyst
Jason Ball, Regulatory Analyst

Recommendation

Issue an Order authorizing accounting treatment for costs related to improving dissolved oxygen levels in Lake Spokane as outlined in the accounting petition filed by Avista Corporation in Docket UE-131576.

Background

On August 28, 2013, Avista Corporation (Avista or company) filed an accounting petition seeking authorization to defer costs related to the improvement of dissolved oxygen levels in Lake Spokane. The company incurred these costs as a result of its application and subsequent receipt of the 2009 FERC Project License for the Spokane River Project (License)¹. The License was amended after the completion of a Dissolved Oxygen Total Maximum Daily Load Study (TMDL) in collaboration with the Washington State Department of Ecology and approved by the FERC in 2012. The TMDL did not address the method Avista was required to use to address the low oxygen issue.

During the TMDL and the License review, a plan was proposed which called for an estimated \$8.0 million capital project to construct a facility that distributed oxygen throughout the lake. This proposal also included approximately “\$200-300 thousand dollars per year in ongoing operations and maintenance, including liquid oxygen delivery and use.”² The company developed a 10-year plan as an alternative to the project that involved education programs and vegetation management. The company estimates the alternative program would “cost approximately \$100 - \$150 thousand per year.”³ Avista incurred \$1.34 million in costs related to the capital project as of December 2012. These costs were booked to CWIP in anticipation of building the large oxygenation facility.

Discussion

The company is seeking the deferral of costs associated with the License. The company is not seeking a determination of the eligibility for recovery of any costs or a determination of their prudence at this time. Furthermore, the company does not seek to accrue interest on the Washington share of the deferrals. Eligibility of these costs for recovery would be determined in

¹ As condition 5.6C of the License, the company was required to develop a Water Quality Attainment Plan to improve the oxygen levels of Lake Spokane.

² Petition of Avista Corporation at ¶18

³ *Id.*

a future proceeding or a general rate case. However, Avista is currently operating under a stay out period (Rate Plan)⁴ and is not eligible to file a general rate case with an effective date before January 1, 2015.⁵ The agreements establishing the Rate Plan do not expressly prohibit the company from filing accounting petitions.

The company's proposed accounting treatment is for costs incurred prior to the Rate Plan's effective date of January 1, 2013. The deferral of these costs will have no effect on the rates currently established under the Rate Plan.

Conclusion

Given that Avista requests deferral of expenditures that were incurred prior to the Rate Plan and given that Avista found solutions to the oxygenation problems that had significantly lower costs than the capital project alternative, staff supports Avista's accounting petition as filed.

Recommendation

Staff recommends that the commission issue an Order authorizing accounting treatment for costs related to improving dissolved oxygen levels in Lake Spokane as outlined in the accounting petition filed by Avista Corporation in Docket UE-131576.

⁴ This Rate Plan was established through various agreements in the Settlement Stipulation in Docket UE-120436 and approved in Order 09.

⁵ Avista may file a GRC before this date but the filing cannot have an effective date that occurs before January 1, 2015.