

**BEFORE THE WASHINGTON  
UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of the Petition of	)	DOCKET UE-130536
	)	
AVISTA CORPORATION,	)	ORDER 01
	)	
Petitioner,	)	
	)	
For an Accounting Order Authorizing	)	ORDER GRANTING ACCOUNTING
Accounting Treatment of	)	PETITION
1) Transmission Revenues Associated	)	
with a Settlement between Avista and	)	
the Bonneville Power Administration,	)	
and 2) Reardan Wind Project	)	
Development Costs	)	
.....	)	

**INTRODUCTION**

- 1 On April 12, 2013, Avista Corporation, (Avista or the Company) filed with the Washington Utilities and Transportation Commission (Commission) a petition seeking an Accounting Order under WAC 480-07-370(1)(b) authorizing Avista to 1) apportion between the Company and its ratepayers funds from a settlement with the Bonneville Power Administration (Bonneville or BPA) and 2) write off the Company’s investment in the Reardan Wind Project.
  
- 2 Avista’s accounting petition presents these two distinct matters before the Commission for prompt and simultaneous consideration. The Company seeks to avoid the need to wait for the Company’s next general rate case filing to resolve these issues.

**BACKGROUND**

- 3 **Bonneville Transmission Settlement.** In December 2012, Avista and Bonneville reached a settlement regarding BPA’s use of Avista’s transmission system. Bonneville agreed to pay Avista \$11.692 million for past use of the Company’s transmission system from 2005 through 2012; the Washington jurisdictional share of this past use amount is \$7.604 million. Going forward, from January 2013 through September 2042, Bonneville agreed to pay Avista \$266,000 per month for continued use of the Company’s transmission system. Avista estimates the Washington allocated share of these payments to be \$2.1 million per year for 2013 and 2014.

- 4 **Reardan Wind Project.** In May 2008, Avista evaluated 30 competing proposals for renewable energy generation and concluded that the Reardan Wind Project in Lincoln County, Washington, was the Company's least-cost option for securing renewable resources to comply with the Energy Independence Act (EIA), Chapter 19.285 RCW. Avista purchased the land rights and preliminary design work associated with the Reardan Wind Project from Energy Northwest for \$2.28 million. Avista incurred additional costs to ready the project for construction, for a total investment of approximately \$4 million. Washington's allocated share of expenses associated with the Reardan Wind Project is \$2.586 million.
- 5 In 2011 and 2012, Avista re-evaluated the cost effectiveness of constructing the Reardan Wind Project. First, Avista was able to obtain renewable energy through a 30-year power purchase agreement with Palouse Wind, LLC. Second, new legislation enacted in March 2012 amended the EIA and allowed the Company to count its Kettle Falls Generating Station as a qualifying renewable resource. These two developments eliminated Avista's need to build the Reardan Wind Project.
- 6 Under the terms of the Company's most recent general rate case (Docket UE-120436), the soonest Avista may increase rates is January 2015. Avista's current electric rates do not address the BPA transmission payments to the Company and do not account for the Company's investment in the Reardan Wind Project.

## DISCUSSION

- 7 On January 28, 2013, Avista filed an accounting petition in Docket UE-130115 (Prior Petition) requesting accounting treatment for transmission revenues associated with the settlement between Avista and BPA, and the company's Reardan wind development costs. In the Prior Petition, Avista sought to use its Energy Recovery Mechanism (ERM) to share the incremental transmission revenues from BPA and for recovery of its development costs associated with Reardan. After consulting with Commission Staff (Staff), Public Counsel and the Industrial Customers of Northwest Utilities (ICNU), Avista withdrew the Prior Petition on April 12, 2013, and filed the current petition outlining a different accounting treatment.
- 8 Avista's current petition seeks authority to account for the revenues it will receive from Bonneville as follows:

- a) Retain as 2013 earnings the entirety of the Washington allocated share of \$7.604 million for past (2005-2012) transmission revenue;
- b) Separately defer and track for ratepayer benefit the Washington allocated share of approximately \$2.1 million for annual transmission revenue for 2013 and 2014 and beyond, until the effective date of the Commission's order in Avista's next general rate case; and
- c) File a tariff as part of its compliance filing authorized in Docket UE-120436 that credits customers during 2014 with approximately \$4.2 million associated with transmission revenues from 2013 and 2014.

9 Avista proposes that, if its petition is granted, it will include in its next general rate case the transmission revenues from BPA in its calculation of normalized power supply expense.

10 The company proposes further that if the Commission authorizes the proposed accounting treatment of the BPA transmission settlement, it will expense in 2013 all \$2.586 million of the Washington allocated costs associated with the Reardan Wind Project and agree not to include any Reardan Wind Project costs in any future Washington rate filing.

11 Public Counsel opposes the Company's petition. Public Counsel asserts that ratepayers are entitled to the benefit of all BPA settlement funds, including those from 2005-2012. . In addition, although Public Counsel does not contest the prudence of the costs associated with the Reardan Wind Project, it nevertheless argues that the Commission should not allow the Company to immediately recover those costs in the manner Avista's petition requests.

12 Staff and ICNU support the Company's petition. According to Staff, the Company and ratepayers both benefit from the new transmission revenues and neither is unduly burdened with the costs of the abandoned Reardan Wind Project.

### **DECISION**

13 The current petition represents a fair compromise between Avista, Staff, and ICNU. The proposed accounting treatment benefits Avista by categorizing all of the 2005-2012 Bonneville transmission revenues as Company income. However, Avista's proposed accounting treatment also provides ratepayers with a tangible benefit in 2014 by

mitigating a scheduled 2014 increase in rates by rebating \$4.2 million of BPA transmission payments to customers through a direct credit.

- 14 Avista's proposed accounting treatment eliminates any potential ratepayer liability associated with the now abandoned Reardan Wind Project. Instead, the Company absorbs all development costs in 2013, and will not request recovery in a future period. No party questions the prudence of Avista's 2008 purchase of the Reardan Wind Project; we note, however, that no determination of prudence is required with this treatment.
- 15 This sharing agreement also appropriately recognizes Avista's efforts in aggressively pursuing recovery of transmission revenues from Bonneville and presenting an equitable accounting treatment now in order to more quickly confer a benefit on ratepayers.<sup>1</sup> The petition implements a solution that falls within the range of possible outcomes as though Avista and Bonneville had originally entered into contract negotiations for BPA's use of the Company's transmission system. As we understand the facts and circumstances, the petition essentially puts ratepayers back in the estimated financial position they would have enjoyed if the Company was aware of BPA's use of its transmission system back in 2005.
- 16 The Commission also acknowledges Avista's efforts to obtain qualifying renewable energy resources in compliance with the EIA and simultaneously keep energy costs as low as possible for customers. When the Company identified lower-cost resources than Reardan, it pursued those resources and stopped investing in the project, all to the ratepayers' benefit. Further, the Company successfully pursued legislation that allows inclusion of the Kettle Falls Generating Station as a qualifying renewable resource under the EIA, further reducing its need to incur additional costs.
- 17 The Commission concludes that Avista's current petition and its proposed accounting treatment is a reasonable compromise in the public interest because it fairly balances the

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<sup>1</sup> The Commission would prefer to have known about the Avista-Bonneville negotiations earlier than at the May 9, 2013 Open Meeting. It would have been timely for the parties to the Company's last general rate case, when proposing the settlement we eventually approved, to have apprised us in December 2012 of the pending settlement with Bonneville. Not doing so denied the Commission the benefit of full knowledge of all relevant circumstances, including these significant anticipated revenues for Avista. Given our consideration of a two-year rate plan in that proposed settlement, receiving information about the pending BPA transmission revenues would have been all the more appropriate. In the future, we expect fuller disclosure of all such issues that might have a considerable impact on how we evaluate a proposed change in a company's rates.

benefits and burdens of the Bonneville settlement and Reardan cancellation between ratepayers and the Company. After considering the history leading up to the Company's filing and all potential accounting outcomes, we conclude that the Petition should be approved.

### FINDINGS AND CONCLUSIONS

- 18 (1) The Washington Utilities and Transportation 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 companies.
- 19 (2) Avista is an electric company and a public service company subject to Commission jurisdiction.
- 20 (3) This matter came before the Commission for action at its regularly scheduled meeting on May 9, 2013.
- 21 (4) Staff has reviewed the Company's petition in Docket UE-130536 including related work papers. Staff believes the proposed accounting order Avista requests is reasonable and should be granted because both the Company and ratepayers receive a net benefit from new transmission revenues and neither is unduly burdened with the costs of the abandoned Reardan Wind Project.
- 22 (5) After reviewing Avista's petition filed in Docket UE-130536 on April 12, 2013 and giving due consideration to all relevant matters, the Commission finds that the Petition filed<sup>2</sup> represents a reasonable compromise and should be granted because the Company's proposed accounting treatment fairly balances the benefits realized from Avista's transmission settlement with the Bonneville Power Administration with the costs incurred by abandoning the Reardan Wind Project and results in fair, just, reasonable and sufficient rates.
- 23 (6) On motion properly made and seconded at its regularly scheduled meeting of May 9, 2013, the Commission unanimously approved entry of an order granting the Company's Petition.

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<sup>2</sup> The revised petition filed on April 12, 2013, not the Company's original petition filed on January 28, 2013, in Docket UE-130115.

**O R D E R**

**THE COMMISSION ORDERS:**

- 24 (1) Avista Corporation's request for an accounting order authorizing Avista to  
1) apportion funds from a settlement with the Bonneville Power Administration  
(BPA) between the Company and its ratepayers and 2) write off its investment in  
the Reardan Wind Project is granted.
- 25 (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.
- 26 (3) The Commission retains jurisdiction over the subject matter and Avista  
Corporation to effectuate the provisions of this Order.

DATED at Olympia, Washington, and effective May 17, 2013.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DAVID W. DANNER, Chairman

PHILIP B. JONES, Commissioner

JEFFREY D. GOLTZ, Commissioner