

Avista Corp.
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Spokane, Washington 99220-0500
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Toll Free 800-727-9170



VIA OVERNIGHT MAIL

June 03, 2008

Ms. Carole J. Washburn, Executive Secretary
Washington Utilities & Transportation Commission
1300 S. Evergreen Park Drive SW
P.O. Box 47250
Olympia, WA 98504-7250

RECEIVED
MAIL ROOM
2008 JUN -4 AM 9:28
U.S. UTIL. AND TRANSP.
COMMISSION

Re: Docket No. UE-08-__
Petition of Avista Corporation for an Order Authorizing
the Accounting of Wind Generation Site Costs as Construction
Work in Progress.

Dear Ms. Washburn:

Enclosed is Avista's Petition for an Order Authorizing the Accounting of Wind Generation Site Costs as Construction Work in Progress. The filing consists of an original and twelve copies of Avista's Petition.

Please direct any questions regarding this filing to Ron McKenzie at (509) 495-4320.

Sincerely,

A handwritten signature in cursive script that reads "Kelly Norwood".

Kelly Norwood
Vice President, State and Federal Regulation

Enclosure

c: See attached service list

CERTIFICATE OF SERVICE


I HEREBY CERTIFY that I have served Avista Corporation's Petition for an Order Authorizing the Accounting of Wind Generation Site Costs as Construction Work in Progress, by mailing a copy thereof, postage prepaid to the following:

Ms. Carole J. Washburn, Executive Secretary
Washington Utilities & Transportation Commission
1300 S. Evergreen Park Drive SW
P.O. Box 47250
Olympia, WA 98504-7250

Simon ffitch
Office of the Attorney General
Public Counsel Section
800 Fifth Avenue, Suite 2000
Seattle, WA 98104-3188

S Bradley Van Cleve
Davison Van Cleve, PC
333 S.W. Taylor, Ste. 400
Portland, OR 97204

Dated at Spokane, Washington this 3rd day of June 2008.



Patty Olsness
Rates Coordinator

Kelly O. Norwood
Vice President
State and Federal Regulation
Avista Corporation
1411 E. Mission Avenue
P. O. Box 3727
Spokane, Washington 99220
Phone: (509) 495-4267, Fax: (509) 495-8851

BEFORE THE WASHINGTON UTILITIES & TRANSPORTATION COMMISSION

IN THE MATTER OF THE PETITION)
OF AVISTA CORP. dba AVISTA UTILITIES) Docket No. UE-08____
FOR AN ORDER AUTHORIZING THE) PETITION OF AVISTA
ACCOUNTING OF WIND GENERATION SITE) CORPORATION
COSTS AS CONSTRUCTION WORK IN PROGRESS)

I. INTRODUCTION

1. Avista Corporation, doing business as Avista Utilities (hereinafter Avista or Company), at 1411 East Mission Avenue, Spokane, Washington, pursuant to WAC 480-07-370(1)(b), hereby petitions the Commission for 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).
2. Avista is a utility that provides service to approximately 352,000 electric customers and 215,000 natural gas customers in a 26,000-square-mile area in eastern Washington and northern Idaho. Avista Utilities also serves 95,000 natural gas customers in Oregon. The largest community served in the area is Spokane, Washington, which is the location of the

corporate headquarters. Communications in reference to this Petition should be addressed to:

Kelly O. Norwood
Vice President
State and Federal Regulation
Avista Corporation
1411 E. Mission Avenue
Spokane, Washington 99220
Phone: (509) 495-4267
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E-mail: kelly.norwood@avistacorp.com

David J. Meyer, Esq.
Vice President and Chief Counsel of
Regulatory and Governmental Affairs
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II. BACKGROUND

3. In the current Electric Integrated Resource Plan (IRP), submitted in September of 2007, Avista discussed the strategic resource portfolio that will meet future electric load requirements, promote environmental stewardship and meet obligations to provide reliable electric service to customers at fair and reasonable rates. Avista's preferred resource plan in the IRP calls for the acquisition of 300 megawatts of wind generation capacity. The Company also discussed the requirements of a state mandate for renewable resources (Washington State Initiative No. 937, Energy Independence Act ¹). Under the Energy Independence Act (EIA), Avista will need to meet three percent of its energy needs with new renewable resources by 2012, nine percent by 2016, and fifteen percent by 2020. The EIA also states that "an investor-owned utility is entitled to recover all prudently incurred costs associated with compliance with this chapter." (RCW 19.285.050(2))
4. Wind generation has proven to be the most commercially viable technology for meeting these renewable requirements. In order to fulfill the renewable requirements, the

¹ See, RCW Chapter 19.285

Company has been actively seeking rights to develop wind generation sites. Wind generation sites take a long span of time to procure and develop. That, coupled with an increasing demand and a limited availability of sites, makes securing cost-effective land rights, sooner rather than later, a priority.

5. On May 1, 2008 the Company purchased permits, studies, lease assignments and four years of wind data for the development of a wind generation site near Reardan, Washington. The construction for this site is estimated to begin in 2011. This project is expected to generate approximately 50 megawatts of capacity, and approximately 15 average megawatts of energy production. The market for wind turbines is very tight, with some manufacturing capacity sold years in advance. The supply constraints are unlikely to ease because of the increasing number of states adopting renewable energy goals and increased international competition for wind turbines. In order to meet the 2011 construction date, the Company will have to commit to making non-refundable reservation payments and other initial payments for the purchase of wind turbines to meet a commercial operation date by the end of 2011. In addition to wind turbine down payments, the Company will need to make transformer down payments, incur site preparation costs, and make equipment payments over the next three years. The Company is requesting to have all reservation payments and all other costs associated with development of the wind generation site accounted for as CWIP.

III. PROPOSED ACCOUNTING TREATMENT

6. In this filing, the Company is 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 in FERC Account 107 - CWIP, and allowing for the accrual of AFUDC. Incremental costs include,

but are not limited to, consulting fees, study costs, legal fees, permit acquisition costs, wind data collection costs, governmental agency approval costs, lease costs, travel costs, as well as the other equipment procurement costs discussed above. AFUDC would accrue on CWIP until the plant is placed in service. Depreciation would begin when the plant is placed in service.

7. The time from when initial wind generation site costs are accumulated to the time of construction is an unknown period of time. The proposed accounting treatment would provide the Company with the opportunity to recover its carrying costs, through the accrual of AFUDC, associated with wind project costs, which is consistent with the EIA provision that “an investor –owned utility is entitled to recover all prudently incurred costs associated with compliance with this chapter.”(RCW 19.285.050(2)) The prudence of the costs for ratemaking purposes would be addressed in a future proceeding.
8. Commission authorization is required to account for wind generation site costs in FERC Account 107 – CWIP, since normally this account is used when plant is in the process of construction. Given the lead time between the expenditures for site costs and the ordering of equipment and start of construction at the site, it is necessary to obtain Commission approval to account for these costs in Account 107 – CWIP.
9. The Company has negotiated the acquisition of rights to the Reardan wind generation site for \$2.275 million. The closing date was May 1, 2008. Given that the transaction has occurred, the Company requests that the accounting order to account for these costs as construction work in progress be issued as soon as possible.

IV. REQUEST FOR RELIEF

10. WHEREFORE, Avista respectfully requests that the Commission issue an Order allowing the classification of the wind site generation related costs described above as construction work in progress, and the accrual of AFUDC until the project is placed into service.

Dated at Spokane, Washington this 3rd day of June 2008.

AVISTA CORPORATION

BY Kelly O. Norwood
Kelly O. Norwood
Vice President
State and Federal Regulation

VERIFICATION

STATE OF WASHINGTON)
)
County of Spokane)

Kelly O. Norwood, being first duly sworn on oath, deposes and says: That he is the Vice President of State and Federal Regulation of Avista Utilities and makes this verification for and on behalf of Avista Corporation, being thereto duly authorized;

That he has read the foregoing filing, knows the contents thereof, and believes the same to be true.

Kelly O. Norwood

SIGNED AND SWORN to before me this 3rd day of June 2008, by Kelly O. Norwood.



Patty Olsness

NOTARY PUBLIC in and for the State of Washington, residing at Spokane.

Commission Expires: 2/22/10