

Agenda Date: July 26, 2006
Item Number: **A1**

Docket: **UE-060665**
Company Name: Avista Corporations d/b/a/ Avista Utilities

Staff: James Russell, Regulatory Manager
Gene Waas, Assistant Director, Energy Section

Recommendation

Issue an Order allowing Avista Corporation d/b/a/ Avista Utilities to transfer Washington's share of a loan to Grid West from Account 128 – Other Special Funds, to Account 186 – Miscellaneous Deferred Debits, and to begin amortization of this balance over 5 years, beginning July 1, 2006, without interest. In addition, require Avista Utilities to make a showing in its next general rate case why amortization of this deferred debit should be included in the calculation of Washington customer's rates.

Background

On April 27, 2006, Avista Corporation d/b/a/ Avista Utilities (Avista or Company) filed an accounting petition for authorization, pursuant to WAC 480-07-395, to transfer the balance of a loan to Grid West from Federal Energy Regulatory Commission (FERC) asset Account 128 – Other Special Funds, to Account 182.3 – Other Regulatory Assets. Avista filed this petition in response to Grid West's Board of Directors voting to request a plan for dissolution (April 11, 2006).

Avista is not requesting accumulation of interest on the transferred loan balance, but requests that this balance remain in suspense in Account 182.3 pending ultimate resolution of recovery in its next general rate case.¹

Avista has been actively involved in the development of a Pacific Northwest Regional Transmission Organization (RTO) aimed at meeting the policies of the FERC² promoting competitive electric markets. Grid West (a successor to "RTO West") is a non-profit entity created for the purpose of establishing a Northwest RTO. Among its members were Avista, PacifiCorp, Bonneville Power Administration, British Columbia Transmission Corporation, Idaho Power Company, NorthWestern Energy, Portland General Electric Company, Puget Sound Energy, Inc., Sierra Pacific Power Company and Nevada Power Company.

¹ PacifiCorp has filed a similar accounting petition in Docket No. 060703, except that PacifiCorp requests interest on the deferred loan balance.

² FERC Order 888 encouraged development of independent system operators, and FERC Order 2000 required transmission owners to develop and submit a proposal to establish an RTO, or to explain why such an organization could not be developed.

Avista signed an initial funding agreement with the other members to provide funding for the start-up phase of Grid West. Start-up costs included “retaining experts, facilitators and other expenses associated with transmission studies and stakeholder participation”. Avista currently has on its books a total company loan to Grid West of approximately \$1.2 million (including interest of \$.2 million).

Avista seeks authority from this commission to transfer Washington’s share (approximately \$800,000) of this loan to Account 182.3. Avista has an identical proposal before the Idaho Public Utilities Commission³ for its remaining share.

In order to resolve this accounting petition in Washington, staff recommends that the commission issue an order allowing Avista to transfer the loan balances to Account 186 and begin amortization of this amount beginning July 1, 2006, without interest over five years. Staff recommends that the commission approve transferring this loan to Account 186 – Miscellaneous Deferred Debits because the ultimate recovery of this loan is a matter to be determined in a future proceeding. It does not rise to the level of a “regulatory asset”, where the recovery from ratepayers is certain.

If Avista files a general rate case that includes amortization of this loan balance, then the commission should require Avista to identify where and how much amortization associated with this loan is included within the test period operations. In addition, the commission, in its order, should require Avista to make a showing why ratepayers should bear this expense.

Conclusion:

For the foregoing reasons, staff recommends that the commission issue an order allowing Avista Corporation d/b/a/ Avista Utilities to transfer Washington’s share of a loan to Grid West from Account 128 – Other Special Funds, to Account 186 – Miscellaneous Deferred Debits, and to begin amortization of this balance over five years, beginning July 1, 2006, without interest. In addition, require Avista Utilities to make a showing in its next general rate case why amortization of this loan balance should be included in the calculation of Washington customer’s rates.

³ The Idaho Commission is addressing this issue for Avista through its “modified procedure” under which comments are due on August 11, 2006.