

DECISION MEMORANDUM

TO: COMMISSIONER KJELLANDER
COMMISSIONER SMITH
COMMISSIONER HANSEN
COMMISSION SECRETARY
COMMISSION STAFF
LEGAL

FROM: CECELIA A. GASSNER

DATE: DECEMBER 15, 2005

SUBJECT: CASE NOS. AVU-G-05-3 AND AVU-E-05-9; AVISTA CORPORATION'S APPLICATION FOR AN ACCOUNTING ORDER REGARDING TREATMENT OF CERTAIN ASSET REQUIREMENT OBLIGATIONS RESULTING FROM IMPLEMENTATION OF SFAS 143

On November 30, 2005, Avista Corporation ("Avista" or "Company") filed an Application with the Idaho Public Utilities Commission ("Commission") seeking an accounting order authorizing the Company to treat certain asset retirement obligations ("AROs") for the current and future fiscal years in accordance with Statement of Financial Accounting Standards (SFAS) 143. Pursuant to *Idaho Code* § 61-524, the Commission is empowered to establish a system of accounts to be kept by public utilities subject to its jurisdiction.

THE APPLICATION

In its Application, Avista has requested an accounting order authorizing the Company to (1) record, as a regulatory asset or a regulatory liability, the cumulative financial statement impacting resulting from the Company's implementation of SFAS 143; and (2) record, on an ongoing basis, as a regulatory asset or a regulatory liability, an amount equal to the difference between the annual SFAS 143 accretion and depreciation expense and the annual depreciation expense based on Commission-approved depreciation rates. Under SFAS 143, entities are required to recognize and account for certain asset retirement obligations in a manner different from the way that Avista and other public utilities have traditionally recognized and accounted for such costs. Specifically, if a legally enforceable ARO, as defined by SFAS 143, is deemed to exist, an entity must measure and record the liability for the ARO on its books.

The Application states that the Company has determined that it will be required to record AROs under SFAS 143 for certain assets. The Company states that the proposed accounting treatment will have no impact for ratemaking purposes. The Company further states that nothing in the Application is intended to request any approval regarding future ratemaking treatment. The accounting changes proposed in the Application are supported by a series of exhibits identifying the accounting entries the Company believes are needed for compliance with SFAS 143.

STAFF RECOMMENDATION

Staff recommends that the Company's Application be processed by Modified Procedure with a 21-day comment period. This should allow sufficient time for interested parties to review the Company's Application and file their comments with the Commission. Reference Commission Rules of Procedure, IDAPA 31.01.01.201-.204.

COMMISSION DECISION

Does the Commission preliminarily find that the public interest may not require a hearing to consider the issues presented in this case, and that this case is appropriate for Modified Procedure pursuant to Commission Rules of Procedure 201 through 204?

Does the Commission approve of a comment period of 21 days?



Cecelia A. Gassner

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