

ORDER NO. 26-018

ENTERED Jan 22 2026

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 2205(4)

In the Matter of

AVISTA CORPORATION, dba AVISTA
UTILITIES,

Application for an Order Reauthorizing
Deferral of Allowance for Funds Used
During Construction (AFUDC).

ORDER

DISPOSITION: STAFF'S RECOMMENDATION ADOPTED

At its public meeting on January 20, 2026, the Public Utility Commission of Oregon adopted Staff's recommendation in this matter. The Staff Report with the recommendation is attached as Appendix A.

BY THE COMMISSION:



Alison Lackey
Chief Administrative Law Judge



A party may request rehearing or reconsideration of this order under ORS 756.561. A request for rehearing or reconsideration must be filed with the Commission within 60 days of the date of service of this order. The request must comply with the requirements in OAR 860-001-0720. A copy of the request must also be served on each party to the proceedings as provided in OAR 860-001-0180(2). A party may appeal this order by filing a petition for review with the Circuit Court for Marion County in compliance with ORS 183.484.

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For an application for reauthorization, OAR 860-027-0300(4) requires a description of the entries in the deferred account to date, and the reason for continuation of the deferred accounting.

Analysis

Background

In The Company's general rate case filed in 2020 which become effective January 15, 2021 (Docket No. UG 389), the parties to the case Avista Corporation, the Staff of the Public Utility Commission of Oregon, the Oregon Citizens' Utility Board (CUB), and the Alliance of Western Energy Consumers (AWEC) agreed that Avista would be allowed to record AFUDC as recommended by the Federal Energy Regulatory Commission (FERC).

The Second Settlement Stipulation at page 13, lines 9 through 14, stated the following:

Allowance for Funds Used During Construction: Due to recommendations made by the Federal Energy Regulatory Commission in a recent audit of Avista, the Parties agree that the Company would defer the AFUDC difference calculated between using the State AFUDC rate and the FERC AFUDC rate as a regulatory asset (i.e. FERC Account No. 182.3), which is included in rate base, and amortize this regulatory asset over the composite remaining life¹ of the plant-in-service.

Since then, the Company has submitted a deferral every year. This current filing, seeking its third reauthorization, was filed on December 18, 2024, for the 12-month period beginning on January 15, 2026.

Description of Expenses

Represents the cost of both the debt and equity funds used to finance utility plant additions during the construction period.

Proposed Accounting

As plant is being constructed, for the deferral amount of AFUDC (which is the calculated difference between the state rate and the FERC rate) the Company debits FERC Account No.182311 - Regulatory Asset-AFUDC (CWIP) and credits the income statement (FERC Account No. 407411 - Regulatory Credit-AFUDC Debt and FERC Account No. 407 412 - Regulatory Credit-AFUDC Equity).

Estimate of Amounts

¹ The Company notes that: "In Docket No. UM 2187 (Order No. 21-288 dated September 10, 2021) the Commission approved Avista's request to change from using the composite remaining life to the actual depreciation rate for each plant FERC account."

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During 2024, the Company recorded amortization of \$114,000 in FERC Account No. 407311 – Regulatory Debit-AFUDC Amortization. The Company believes the 2024 amortization amount is representative of the future amortization during the deferral period beginning January 15, 2026.

Information Related to Future Amortization

- Earnings Review - No earnings test recommended to be applied as this deferral applies to construction work in progress on capital additions to be later reviewed when the project is complete, and the Company requests the Commission include the plant in rate base.
- Prudence Review - A prudence review will be performed prior to amortization.
- Sharing - Non-Applicable.
- Three Percent Test- The three percent test applies to limit aggregated deferral amortizations during a 12-month period to no more than three percent of the utility's gross revenues for the preceding year.

Conclusion

Staff recommends the Commission approve Avista's application, since the Company's application meets the requirements of ORS 757.259 and OAR 860-027-0300 for deferred accounting, and the reason for the deferral-costs related to AFUDC is still valid.

The Company has reviewed this memo and agrees with its contents.

PROPOSED COMMISSION MOTION:

Approve Avista's application for reauthorization to defer the AFUDC difference calculated between using the State AFUDC rate and the FERC AFUDC for the 12-month period beginning January 16, 2025.