

DECISION MEMORANDUM

**TO: COMMISSIONER KJELLANDER
COMMISSIONER REDFORD
COMMISSIONER SMITH
COMMISSION SECRETARY
COMMISSION STAFF
LEGAL**

**FROM: DAPHNE HUANG
DEPUTY ATTORNEY GENERAL**

DATE: AUGUST 21, 2014

**SUBJECT: AVISTA CORPORATION'S APPLICATION FOR APPROVAL OF AN
ELECTRIC DISTRIBUTION SERVICE AGREEMENT WITH EAST
GREENACRES IRRIGATION DISTRICT, CASE NO. AVU-E-14-08**

On August 14, 2014, Avista Corporation ("Avista") filed an Application with the Commission seeking approval of its second Electric Distribution Service Agreement with East Greenacres Irrigation District ("Greenacres"). Greenacres operates and maintains two Bureau of Reclamation-built pumping facilities on the Rathdrum Prairie, providing irrigation and domestic water supply to approximately 5,300 acres of land. Application at 2. To operate the pumping facilities, Greenacres receives electric power from the Bureau of Reclamation which is delivered through Avista transmission and distribution facilities from Avista's Post Falls Substation to certain delivery points on the Greenacres system. *Id.* at 2-3. Avista's Application concerns Greenacres' agreement with Avista for transfer of Bureau of Reclamation energy over Avista's distribution facilities. *Id.* at 3. The present Agreement modifies the initial agreement which was approved by the Commission on April 16, 2009, and is set to expire October 1, 2014. Order No. 30784 (Case No. AVU-E-09-02).

THE AGREEMENT

In the Application, Avista states that the service provided under the proposed agreement, as under its initial agreement with Greenacres, is "unique, and therefore more appropriately provided under a special contract rather than a filed tariff." *Id.* at 2. According to the Application, Avista has delivered approximately 3.8 million kilowatt-hours to Greenacres pumping facilities each year. *Id.* at 3. The existing agreement set a distribution service rate of

\$3,622.77 per month or \$43,473.24 per year. *Id.* However, that rate was derived “using a jurisdictional energy methodology (load ratio share)” rather than a demand methodology. *Id.* at 4, n. 1.

In its Order approving the initial agreement, the Commission stated:

We acknowledge Staff’s assessment of Avista’s energy-based methodology as well as [Avista’s] efforts to develop a more appropriate demand-based methodology for use in future electric distribution service agreements. Thus we strongly encourage the Company to offer its full cooperation toward the development of this alternate methodology.

Order No. 30784 at 3. Avista states that, in response to the Commission’s Order, the new agreement between Greenacres and Avista uses a demand methodology to derive the monthly rate. Application at 4. That new distribution service rate is \$4,231.74 per month or \$50,780.88 per year, based on Greenacres’ “peak demand-ratio share of Distribution Facilities Costs derived from Avista’s last cost of service study.” *Id.* at 3.

Avista maintains that the rates are “consistent with the distribution costs embedded in Idaho retail rates.” *Id.* at 4. Avista further states that “the incremental costs associated with providing service under the Agreement are less than the charge for service,” thus revenue from the Agreement will help to offset Avista’s fixed costs. *Id.* The Agreement was executed August 6, 2014, and becomes effective upon the Commission’s approval. The term of the Agreement coincides with the term of Avista’s Transmission Agreement with Greenacres, but may continue beyond the expiration of that Agreement if Greenacres “continues to purchase transmission service and additional time is needed to develop a follow-on distribution service agreement.” *Id.* at 3.

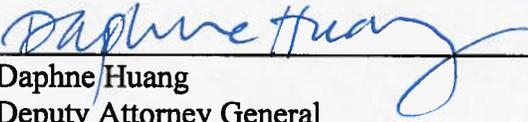
Avista states that the agreement “is non-discriminatory and is not unreasonably preferential.” *Id.* at 4. Avista asks that its filing be processed under Modified Procedure. *Id.* at 2.

STAFF RECOMMENDATION

Staff has reviewed Avista’s Application and recommends that it be processed through Modified Procedure, i.e., through a written comment period in lieu of a hearing. Staff recommends a notice and comment period of 21 days. *See* IDAPA 31.01.01.201-204.

COMMISSION DECISION

Does the Commission wish to process Avista's Application through Modified Procedure with a 21-day comment period?



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Deputy Attorney General

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