

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

<b>IN THE MATTER OF THE APPLICATION</b>	)	
<b>OF AVISTA CORPORATION DBA AVISTA</b>	)	<b>CASE NO. AVU-E-01-13</b>
<b>UTILITIES—WASHINGTON WATER</b>	)	
<b>POWER DIVISION (IDAHO) FOR</b>	)	<b>NOTICE OF APPLICATION</b>
<b>AUTHORITY TO IMPLEMENT A</b>	)	
<b>RESIDENTIAL AND SMALL FARM</b>	)	<b>NOTICE OF MODIFIED PROCEDURE</b>
<b>ENERGY RATE ADJUSTMENT CREDIT.</b>	)	
	)	
	)	<b>NOTICE OF COMMENT/PROTEST</b>
	)	<b>DEADLINE</b>
	)	
	)	<b>ORDER NO. 28835</b>

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YOU ARE HEREBY NOTIFIED that on August 16, 2001, Avista Corporation dba Avista Utilities—Washington Water Power Division (Idaho) filed an Application with the Idaho Public Utilities Commission (Commission) requesting authority to implement a Schedule 59 residential and farm energy adjustment credit of 0.439¢ per kilowatt hour. The purpose of the energy rate adjustment credit is to pass through to qualifying electric residential and small farm customers the estimated benefits to be derived under the Residential Exchange Settlement Agreement between Avista and the Bonneville Power Administration (BPA) for the contract year October 1, 2001 through September 30, 2002. In its Settlement Agreement with BPA, Avista received system rights to 90 aMW of benefits from the federal hydro power system beginning October 1, 2001. The Company acknowledges and thanks the Idaho Commission and the Commission’s Staff for the role they played in the Settlement Agreement negotiations.

The Northwest Regional Power Act establishes a Residential Exchange Program to provide benefits to residential and small farm consumers of Pacific Northwest Utilities. The Settlement Agreement between Avista and BPA settles the parties’ rights and obligations for the Residential Exchange Program for the ten-year term of the Agreement, October 1, 2001 through September 30, 2012. The proposed rate credit will be adjusted periodically over the 10-year term to match the actual benefits from the Exchange Agreement.

## **Explanation of Benefits**

The benefits from the Exchange Agreement consist of three components: a monetary benefit, a firm power sale benefit, and a firm power reduction benefit. A description of the benefits is set forth in the Company's Application. The total benefit amount may vary based on the Company's election of options. The actual benefits credited to customers in the first year will be different than the actual benefits received from BPA under the Agreement due to differences in actual and estimated retail loads, and/or market price of power and BPA's Residential Load Firm Power rate. Therefore, Avista is proposing a true-up mechanism to true-up the difference over time between the benefits credited to customers and the actual benefits received from BPA.

## **Accounting, Interest, True-up**

Benefits derived as a result of the Settlement Agreement will be deferred to Account 254—Other Regulatory Liabilities. A separate subaccount will be used to distinguish the residential exchange from other items that may be included in Account 254. The payment amounts to Avista will be directly credited to Account 254. The payment amounts include the monetary benefit, the firm reduction benefit and the cash payment for power Avista chooses not to take. Charges for wheeling and losses will be debited to Account 254. The payment for power deliveries taken will be charged to Account 555—Purchased Power Expense. The benefit for residential and small farm customers associated with the power deliveries taken will be the difference between the Mid-C price and the amount paid to BPA for the power. The benefit connected with power deliveries taken will be accounted for by debiting Account 557—Other Power Supply Expense and Crediting Account 254. The result being that the charges to Account 555 and Account 557 will reflect a purchase power expense amount equivalent to having purchased power at the average Mid-C price for the month. Charges to Account 555 and Account 557 will be included in the calculation of the deferral of power costs under the PCA mechanism.

Account 254 will be amortized by debiting Account 254 and crediting Account 407.4—Regulatory Credits by an amount equal to the amount of revenue credit passed through to customers during the month. Deferred federal income taxes will be recorded. Interest will be calculated on the balance of Account 254 in similar fashion to the calculation of interest on PCA

balances. It is expected that the rate credit will be revised on an annual basis and may be revised more often, if necessary, depending how close actual results compare to estimates. A balance in Account 254 will reflect the difference between actual benefits and the amount of credit passed on to residential and small farm customers. The balance in Account 254 will be part of the calculation of any revision to the rate credit.

### **Energy Rate Adjustment Credit**

The Company proposes to pass through the estimated benefit amount on a uniform cents per kilowatt hour basis to all qualifying customers served under Schedules 1, 12, 22, 32 and 48. The percentage reductions applicable to the individual rate schedules are as follows:

Schedule 1	Residential Service	-8.02%
Schedule 12	Residential and Farm General Service	-5.78%
Schedule 22	Residential and Farm Large General Service	-8.77%
Schedule 32	Residential and Farm Pumping Service	-7.82%
Schedule 48	Residential and Farm Area Lighting	-3.04%

Actual percentage reductions may vary according to factors contained in certain rate schedules. The overall reduction in revenue amounts to approximately \$4.5 million or about 8% for the group of qualifying residential and small farm customers as a whole. The resulting decrease for a residential customer using 1,000 kWh per month would be 7.96% or \$4.39 per month.

The Company is proposing that the Schedule 59 rate credits be effective coincident with the date that the new rates covering the Company's proposed Power Cost Adjustment surcharge become effective. Reference Case No. AVU-E-01-11. The Company in that case has requested an effective date of September 15, 2001, for the PCA Schedule 66 adjustment. Having the same effective date, the Company states, will avoid residential and small farm customers from having a rate increase followed by a rate reduction.

The revenue reduction amount for the energy rate adjustment credit reflects a conversion factor for revenue-related expense items. The conversion items utilized were from the same calculations authorized in the Company's most recent Idaho general case, updated for actuals through December 31, 2000, as filed with the Commission.

YOU ARE FURTHER NOTIFIED that the Commission has reviewed the filings of record in Case No. AVU-E-01-13. The Commission has preliminarily determined that the public interest regarding the proposed Schedule 59 Residential and Farm Energy Rate Adjustment—

Idaho revision may not require a hearing to consider the issues presented and that the issues raised by the Application may be processed under **Modified Procedure**, i.e., by written submission rather than by hearing. Reference Commission Rules of Procedure, IDAPA 31.01.01.201-204.

YOU ARE FURTHER NOTIFIED that the Commission may not hold a hearing in this proceeding unless it receives written protests or comments opposing the use of Modified Procedure and stating why Modified Procedure should not be used. Reference IDAPA 31.01.01.203.

YOU ARE FURTHER NOTIFIED that the Commission finds it reasonable to process the Company's Application in Case No. AVU-E-01-13 in an expedited manner. **The deadline for filing written comments or protests** with respect to the Application and the Commission's use of Modified Procedure in Case No. AVU-E-01-13 is **Thursday, September 13, 2001**. Persons desiring a hearing must specifically request a hearing in their written protests or comments.

YOU ARE FURTHER NOTIFIED that if no written comments or protests are received within the deadline, the Commission will consider the issue on its merits and enter its Order without a formal hearing. If comments or protests are filed within the deadline, the Commission will consider them and in its discretion may set the matter for hearing or may decide the matter and issue its Order based on the written positions before it. Reference IDAPA 31.01.01.204.

YOU ARE FURTHER NOTIFIED that written comments concerning Case No. AVU-E-01-13 should be mailed to the Commission and the Company at the addresses reflected below.

COMMISSION SECRETARY  
IDAHO PUBLIC UTILITIES COMMISSION  
PO BOX 83720  
BOISE, IDAHO 83720-0074

Street Address for Express Mail:

472 W WASHINGTON ST  
BOISE, ID 83702-5983

THOMAS D DUKICH, DIRECTOR  
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DAVID MEYER, ESQ.  
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PO BOX 3727

NOTICE OF APPLICATION  
NOTICE OF MODIFIED PROCEDURE  
ORDER NO. 28835

SPOKANE, WA 99220

All comments should contain the case caption and case number shown on the first page of this document.

YOU ARE FURTHER NOTIFIED that the Application and related attachments in Case No. AVU-E-01-13 can be reviewed at the Commission's office and at the Idaho offices of Avista during regular business hours. The Company's Application can also be viewed at the Commission's internet web page file room: [www.puc.state.id.us](http://www.puc.state.id.us).

**ORDER**

IT IS HEREBY ORDERED and the Commission does hereby adopt the procedure and scheduling set forth above.

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this \_\_\_\_\_ day of August 2001.

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PAUL KJELLANDER, PRESIDENT

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MARSHA H. SMITH, COMMISSIONER

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DENNIS S. HANSEN, COMMISSIONER

ATTEST:

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Jean D. Jewell  
Commission Secretary

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