

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION)
OF AVISTA CORPORATION DBA AVISTA) **CASE NO. AVU-E-01-13**
UTILITIES—WASHINGTON WATER)
POWER DIVISION (IDAHO) FOR)
AUTHORITY TO IMPLEMENT A)
RESIDENTIAL AND SMALL FARM) **ORDER NO. 28869**
ENERGY RATE ADJUSTMENT CREDIT.)
)

On August 16, 2001, Avista Corporation dba Avista Utilities (Avista; Company) filed an Application with the Idaho Public Utilities Commission (Commission) requesting authority to implement a Schedule 59 Residential and Farm Energy Rate 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 (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. On September 10, 2001, the Company revised its filing, reducing the proposed credit to 0.337¢ per kilowatt hour. The revision reflects a recent determination of the BPA regarding calculation of monetary benefits under the Settlement Agreement.

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 Settlement Agreement.

Explanation of Benefits

The benefits from the Settlement 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 (RL) 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 Company's Power Cost Adjustment (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:

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|-------------|--|--------|
| Schedule 1 | Residential Service | -6.17% |
| Schedule 12 | Residential and Farm General Service | -4.44% |
| Schedule 22 | Residential and Farm Large General Service | -6.74% |
| Schedule 32 | Residential and Farm Pumping Service | -6.01% |
| Schedule 48 | Residential and Farm Area Lighting | -2.34% |

Actual percentage reductions may vary according to factors contained in certain rate schedules. The overall reduction in revenue amounts to approximately \$3.5 million or about 6% 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 6.12% or \$3.37 per month.

The Company is proposing that the Schedule 59 rate credits be effective coincident with the date that new rates covering the Company's proposed Schedule 66 Power Cost Adjustment surcharge become effective. Reference Case No. AVU-E-01-11. 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 rate case, updated for actuals through December 31, 2000, as filed with the Commission.

On August 24, 2001, the Commission issued Notices of Application and Modified Procedure in Case No. AVU-E-01-13. The deadline for filing written comments or protests was September 13, 2001. The Commission Staff was the only party to file comments. Staff recommends approval of the Company's Application. Staff believes the combination of the true-up, the use of the PCA and Schedule 59 will properly pass through the BPA credits to customers. It should also, Staff contends, provide Avista the accounting flexibility to incorporate future Settlement Agreement contract revisions. Staff recommends that the mechanism be closely monitored, at least initially, to assure that credits provided to customers reasonably match the

benefits derived. Staff further recommends that the effective date of Schedule 59 coincide with the effective date of any rate change approved in the Company's PCA proceeding.

COMMISSION FINDINGS

The Commission has reviewed the filings of record in Case No. AVU-E-01-13, including the comments and recommendations of Commission Staff. The Commission finds that the Avista Schedule 59 energy rate adjustment credit will benefit qualifying residential and small farm customers and provide appropriate benefits from regional power as contemplated by the 1980 Pacific Northwest Electric Power Planning and Conservation Act. The Idaho Public Utilities Commissioners wish to express their appreciation to Bonneville Power Administration (BPA) for its acknowledgement that the benefits of the Federal Columbia River Power System (FCRPS) should be spread to all the residents of the Pacific Northwest. This is a significant step to more equitably share the benefits provided by the FCRPS to the residential and small farm customers of Avista.

The Commission finds it reasonable to approve the proposed tariff Schedule 59 Residential and Farm Energy Adjustment Credit of \$0.337 per kilowatt hour for an effective date to coincide with the effective date of any change in rates that we may authorize in Case No. AVU-E-01-11.

ORDER

In consideration of the foregoing and as more particularly described above, IT IS HEREBY ORDERED and the Commission does hereby approve the proposed changes to Avista electric tariff Schedule 59—Idaho for an effective date to coincide with the effective date of any change in rates authorized by this Commission in the Company's PCA surcharge Case No. AVU-E-01-11.

THIS IS A FINAL ORDER. Any person interested in this Order may petition for reconsideration within twenty-one (21) days of the service date of this Order. Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. See *Idaho Code* § 61-626.

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

PAUL KJELLANDER, PRESIDENT

MARSHA H. SMITH, COMMISSIONER

DENNIS S. HANSEN, COMMISSIONER

ATTEST:

Jean D. Jewell
Commission Secretary

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