

Avista Corp.
1411 East Mission PO Box 3727
Spokane, Washington 99220-3727
Telephone 509-489-0500
Toll Free 800-727-9170

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IDAHO PUBLIC
UTILITIES COMMISSION

August 29, 2002

Ms. Jean D. Jewell, Secretary
Idaho Public Utilities Commission
472 W. Washington St.
Boise, ID 83720

Dear Ms. Jewell:

AVU-E-02-07

Advice No. E-02-04

Tariff I.P.U.C. No. 28, Electric Service
Residential and Farm Energy Rate Adjustment Credit

Enclosed for filing with the Commission is an original of the following tariff sheet:

Third Revision Sheet 59 Canceling Substitute Second Revision Sheet 59

The revised tariff sheet sets forth a residential and small farm energy rate adjustment credit of 0.347¢ to be effective October 12, 2002. The credit results from a residential exchange program aimed at giving electric customers a portion of benefits from federal hydroelectric projects located in the Northwest pursuant to a Settlement Agreement between Avista and the Bonneville Power Administration. The Company is proposing that the rate credit be modified from the existing 0.337¢ per kilowatt-hour to 0.347 ¢ per kilowatt-hour to pass-through estimated benefits for the second contract year, October 1, 2002 through September 30, 2003, as well as reflect a true-up adjustment for the first contract year. Enclosed is a copy of the existing tariff Schedule 59 with the old rate crossed out and with the proposed rate underlined.

Under the assumptions contained in the Application, the proposed rate credit results in an overall reduction in revenue of approximately \$3.5 million. For a residential customer using 1,000 kilowatt-hours per month the new credit would be \$3.47 per month or \$0.10 more than the existing credit of \$3.37 per month. With the new credit in place, residential customers' bills will be about 5.5% lower than they would be without the credit.

Enclosed is an Application that provides information supporting the proposed tariff. Also enclosed is a notice to customers that will be posted in the Company's offices and included as an insert in customer bills. Also enclosed is a copy of a press release. If you have any questions regarding this filing, please contact Ron McKenzie at (509) 495-4320.

Sincerely,

Kelly O. Norwood

Kelly O. Norwood
Vice-President Rates and Regulation

Enclosures

AVISTA CORPORATION
dba Avista Utilities

SCHEDULE 59

RESIDENTIAL AND FARM ENERGY RATE ADJUSTMENT - IDAHO

APPLICABLE:

To Residential Customers in the State of Idaho where Company has electric service available. This rate adjustment results from an Agreement between the Company and Bonneville Power Administration (BPA) covering Residential Exchange Program benefits. The rate adjustment in this schedule shall be applicable to customers served under Schedules 1, 12, 22, 32 and 48.

MONTHLY RATE:

The energy charges for all blocks of electric Schedules 1, 12, 22 and 32 and the charges for area lights based on the energy usages of the lights on Schedule 48 are to be reduced by 0.347¢ per kWh.

SPECIAL TERMS AND CONDITIONS:

The rate adjustment under this schedule is subject to revision to reflect the true up from estimated to actual benefits and to reflect projected future benefits. In the event the credits applied under this schedule exceed the benefits, the Company will adjust the rate on this schedule to recover that difference.

The energy credit applied to Schedule 32 for farm irrigation and pumping load, for each billing period, shall not exceed the amount of energy determined by the following formula:

$$400 \times 0.746 \times \text{days in the billing period} \times 24$$

In no instance shall any qualifying irrigation and pumping load for any month exceed 222,000 kWh.

Service under this schedule is subject to the Rules and Regulations contained in this tariff.

The above rate is subject to the provisions of Tax Adjustment Schedule 58.

Issued August 29, 2002

Effective October 12, 2002

Issued by Avista Utilities
By



, Vice-President Rates and Regulation

AVISTA CORPORATION
 dba Avista Utilities

SCHEDULE 59

RESIDENTIAL AND FARM ENERGY RATE ADJUSTMENT - IDAHO

APPLICABLE:

To Residential Customers in the State of Idaho where Company has electric service available. This rate adjustment results from an Agreement between the Company and Bonneville Power Administration (BPA) covering Residential Exchange Program benefits. The rate adjustment in this schedule shall be applicable to customers served under Schedules 1, 12, 22, 32 and 48.

MONTHLY RATE:

The energy charges for all blocks of electric Schedules 1, 12, 22 and 32 and the charges for area lights based on the energy usages of the lights on Schedule 48 are to be reduced by ~~0.537~~¢ per kWh.

0.347

SPECIAL TERMS AND CONDITIONS:

The rate adjustment under this schedule is subject to revision to reflect the true up from estimated to actual benefits and to reflect projected future benefits. In the event the credits applied under this schedule vary from the benefits, the Company will adjust the rate on this schedule to recover or pass through that difference.

The energy credit applied to Schedule 32 for farm irrigation and pumping load, for each billing period, shall not exceed the amount of energy determined by the following formula:

$$400 \times 0.746 \times \text{days in the billing period} \times 24$$

In no instance shall any qualifying irrigation and pumping load for any month exceed 222,000 kWh.

Service under this schedule is subject to the Rules and Regulations contained in this tariff.

The above rate is subject to the provisions of Tax Adjustment Schedule 58.

Issued September 7, 2001

Effective October 12, 2001

Issued by Avista Utilities

By

Thomas D. Dubick

, Director, Rates & Regulatory Affairs

Important Notice for Idaho Electric Residential and Small Farm Customers

September 2002

On August 30, Avista filed with the Idaho Public Utilities Commission (IPUC) a request to modify a rate credit to qualifying residential and small farm customers. The credit results from a residential exchange program aimed at giving electric customers a share of benefits from federal hydroelectric projects located in the Northwest supplied by BPA.

The Company is proposing that the rate credit be modified from the existing 0.337¢ per kilowatt-hour to 0.347¢ per kilowatt-hour to pass-through projected future benefits and true up prior estimates to actual benefits.

The proposed rate credit is a uniform cents per kilowatt-hour decrease of 0.347¢ and would apply to residential and small farm customers served under Schedules 1, 12, 22, 32, and 48. The overall reduction in revenue amounts to approximately \$3.5 million. For a residential customer using 1,000 kilowatt-hours per month the new credit would be \$3.47 per month or \$0.10 more than the existing credit of \$3.37 per month. With the new credit in place, residential customers' bills will be about 5.5% lower than they would be without the credit.

Avista's request is a proposal, subject to public review and a decision by the IPUC. A copy of Avista's application is available for public review at the offices of both the IPUC and Avista. A copy of the application is also available on our website at www.avistautilities.com under "Energy Prices", "Rates and Tariffs".

If you would like information on energy conservation tips, energy assistance programs, and bill payment plans, visit our website at www.avistautilities.com, or call us at 1-800-227-9187.



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IDAHO PUBLIC
UTILITIES COMMISSION

1
2 Kelly O. Norwood
3 Vice-President Rates and Regulation
4 Avista Corporation
5 1411 E. Mission Avenue
6 P. O. Box 3727
7 Spokane, Washington 99220
8 Phone: (509) 495-4267, Fax: (509) 495-8856
9

10
11 BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION
12

13 IN THE MATTER OF THE APPLICATION OF)
14 AVISTA CORPORATION FOR A MODIFICATION)
15 TO THE RESIDENTIAL AND SMALL FARM)
16 ENERGY RATE ADJUSTMENT CREDIT)
17 _____)
18

CASE NO. AVU-E-0207

19 I. INTRODUCTION

20 Avista Corporation doing business as Avista Utilities (hereinafter Avista or Company), at
21 1411 East Mission Avenue, Spokane, Washington, respectfully petitions the Commission for an
22 order approving a modification to the residential and farm energy rate adjustment credit. Avista
23 proposes that the credit be modified from 0.337¢ per kilowatt-hour to 0.347¢ per kilowatt-hour
24 effective October 12, 2002. The purpose of the energy rate adjustment credit is to pass through to
25 qualifying electric residential and small farm customers the estimated benefits to be derived under
26 the Residential Exchange Settlement Agreement between Avista and the Bonneville Power
27 Administration (BPA). The proposed rate credit of 0.347¢ per kilowatt-hour is based on estimated
28 benefits for the second Contract Year of the ten-year Agreement which covers the period October
29 1, 2002 through September 30, 2003, as well as an estimated true-up for the first contract year.

30 Communications in reference to this Application should be addressed to:

1 Kelly O. Norwood
2 Vice-President Rates and Regulation
3 Avista Corporation
4 1411 E. Mission Avenue
5 P.O. Box 3727
6 Spokane, Washington 99220
7 Phone: (509) 495-4267
8 Fax: (509) 495-8856
9

David J. Meyer
Senior Vice-President and General Counsel
Avista Corporation
1411 E. Mission Avenue
P.O. Box 3727
Spokane, Washington 99220
Phone: (509) 489-0500
Fax: (509) 495-4361

10 **II. BPA RESIDENTIAL EXCHANGE SETTLEMENT CREDIT**

11 In its Settlement Agreement with BPA, Avista received rights to 90 aMW of benefits from
12 the federal hydropower system beginning October 1, 2001. The benefits related to this Settlement
13 are to be shared among Avista's residential and small farm customers. Through this filing the
14 Company is requesting that the Commission approve a modification to the residential and small farm
15 energy rate adjustment credit to pass through the estimated benefits to be derived from the
16 Settlement Agreement for the second Contract Year under the Agreement, October 1, 2002 through
17 September 30, 2003, as well as an estimated true-up for the first contract year. The true-up is an
18 estimate at this point in time, since actual information is only available through July 2002. The
19 proposed credit is 0.347¢ per kilowatt-hour as reflected on Third Revision Schedule 59.

20 The Northwest Regional Power Act establishes a Residential Exchange Program to provide
21 benefits to residential and small farm consumers of Pacific Northwest utilities. The Settlement
22 Agreement between Avista and BPA settles the Parties' rights and obligations for the Residential
23 Exchange Program for the ten-year term of the Agreement, October 1, 2001 through September 30,
24 2011.

25 **III. EXPLANATION OF BENEFITS**

26 The benefits from the Settlement Agreement with BPA consist of a monetary benefit and a
27 firm power sale benefit.

1 Monetary Benefit: Avista receives 42 aMW (29 aMW Washington, 13 aMW Idaho) of the
2 90 aMW of benefits in the form of a monetary benefit. The Monetary Benefit monthly payment
3 amounts are determined by taking the difference between BPA's Forward Flat-Block Price Forecast
4 (\$38/MWh) and the RL Rate at 100 percent load factor (\$19.71/MWh) times the annual amount of
5 energy. The energy amount of the Monetary Benefit is fixed for the first five years of the contract,
6 October 2001 through September 2006. BPA shall, no later than October 1, 2005, notify Avista of
7 the amount of Monetary Benefit expressed in annual aMW, for which payments will be made to
8 Avista during the period October 2006 through September 2011.

9 Firm Power Sale Benefit: The Settlement Agreement provides for Avista to receive 48 aMW
10 (33 aMW Washington, 15 aMW Idaho) of firm power benefits. The Company elected in September
11 2001 to terminate the Firm Power Sale Agreement and convert it to Monetary Benefit for the first
12 five contract years. The additional Monetary Benefit, due to the conversion, is shown on line 20 of
13 Attachment 1. The total benefit amount from the Residential Exchange Settlement is shown on
14 Attachment 1 at line 22 and amounts to \$3,310,988.

15 Actual benefits credited to customers are different than the actual benefits received from
16 BPA under the agreement due to differences in actual and estimated retail loads. Also, BPA has a
17 Cost Recovery Adjustment Clause (CRAC) that has three components: "load-based" CRAC,
18 "financial-based" CRAC, and "safety-net" CRAC. The initial 42 aMW of Monetary Benefit is
19 subject only to the safety-net component of the CRAC. If the safety-net component of the CRAC
20 triggers, the amount of benefit received from BPA is reduced. Furthermore, BPA has determined
21 that a terminated Firm Power Sale Agreement converted to Monetary Benefit, as is the case with
22 Avista, is subject to the load-based and financial-based CRACs, in addition to the safety-net CRAC.

1 Avista is proposing a true-up adjustment in this filing to true-up the estimated difference between
2 the benefits credited to customers and the actual benefits received from BPA during the first contract
3 year, October 1, 2001 through September 30, 2002.

4 **IV. ENERGY RATE ADJUSTMENT CREDIT**

5 The Company proposes to pass through the estimated second contract year benefit and first
6 contract year true-up amounts on a uniform cents per kilowatt-hour basis to all qualifying customers
7 served under Schedules 1, 12, 22, 32 and 48. For residential and small farm area lighting customers
8 served under Schedule 48, the proposed credit is applied on a uniform cents per kilowatt-hour basis
9 to the energy usages of the various lights covered under that rate schedule. The calculation of the
10 proposed rate credit is shown on page 1 of Attachment 2. As shown on page 2 of Attachment 2, the
11 resulting decrease for a residential customer using 1,000 kilowatt-hours per month would be 5.54%,
12 or \$3.47 per month. The percentage decrease for a customer using 600 kWh per month would be
13 5.62%, or \$2.08 per month. The decrease for a customer using 1,400 kWh per month would be
14 5.50%, or \$4.86 per month.

15 The rate credit is set forth on proposed Third Revision Schedule 59 – Residential and Farm
16 Energy Rate Adjustment. The Company proposes an effective date of October 12, 2002, which is
17 twelve months from the date that the rate credit was initiated on October 12, 2001. The revenue
18 reduction amount for the energy rate adjustment credit reflects a conversion factor for revenue
19 related expense items. The conversion factor items utilized are from the same calculations
20 authorized in the Company's most recent Idaho general case, updated for actuals through December
21 31, 2001, as filed with the Commission.

22 **V. SUMMARY**

BEFORE THE
IDAHO PUBLIC UTILITIES COMMISSION
CASE NO. AVU-E-02-
ATTACHMENT NO. 1

Avista Corp.
Estimated Residential Exchange Benefits - Oct 02 thru Sep 03
LB CRAC = 31.88% Oct 02-Mar 03, 37% Apr 03 - Sep 03, FB CRAC = 11%
IDAHO

Line No.		Oct-02	Nov-02	Dec-02	Jan-03	Feb-03	Mar-03	Apr-03	May-03	Jun-03	Jul-03	Aug-03	Sep-03
	Total	432	400	400	416	384	416	416	416	400	416	432	384
1	HL Hours	313	320	344	328	288	303	328	328	320	328	312	336
2	LL Hours	745	720	744	744	672	719	744	744	720	744	744	720
3	Total Hours												
	Monetary Benefit												
4	MW	13	13	13	13	13	13	13	13	13	13	13	13
5	Energy	9,685	9,360	9,672	9,672	8,736	9,347	9,347	9,672	9,360	9,672	9,672	9,360
6	Forward Block Rate	\$38.00	\$38.00	\$38.00	\$38.00	\$38.00	\$38.00	\$38.00	\$38.00	\$38.00	\$38.00	\$38.00	\$38.00
7	Annual Base RL Rate	\$19.71	\$19.71	\$19.71	\$19.71	\$19.71	\$19.71	\$19.71	\$19.71	\$19.71	\$19.71	\$19.71	\$19.71
8	Difference	\$18.29	\$18.29	\$18.29	\$18.29	\$18.29	\$18.29	\$18.29	\$18.29	\$18.29	\$18.29	\$18.29	\$18.29
9	Total Benefit	\$177,168	\$171,223	\$176,930	\$176,930	\$159,808	\$170,985	\$170,985	\$176,930	\$171,223	\$176,930	\$176,930	\$171,223
10	Monthly Average Benefit	\$173,601	\$173,601	\$173,601	\$173,601	\$173,601	\$173,601	\$173,601	\$173,601	\$173,601	\$173,601	\$173,601	\$173,601
	Firm Power Sale Benefit - Monetized												
11	MW	15	15	15	15	15	15	15	15	15	15	15	15
12	HLH Energy	6,480	6,000	6,000	6,240	5,760	6,240	6,240	6,240	6,000	6,240	6,480	5,760
13	LLH Energy	4,695	4,800	5,160	4,920	4,320	4,545	4,545	4,920	4,800	4,920	4,680	5,040
14	Total Energy	11,175	10,800	11,160	11,160	10,080	10,785	10,785	11,160	10,800	11,160	11,160	10,800
15	Adjusted RL Rate due to CRAC	\$23.91	\$33.29	\$33.31	\$29.13	\$27.53	\$19.77	\$19.77	\$18.44	\$22.99	\$32.08	\$43.24	\$35.83
18	Forward Block Rate	\$38.00	\$38.00	\$38.00	\$38.00	\$38.00	\$38.00	\$38.00	\$38.00	\$38.00	\$38.00	\$38.00	\$38.00
19	Difference (Forward Block - Adj RL)	\$14.09	\$4.71	\$4.69	\$8.87	\$10.47	\$18.23	\$18.23	\$19.56	\$15.01	\$5.92	-\$5.24	\$2.17
20	Total Benefit	\$157,403	\$50,831	\$52,336	\$99,003	\$105,516	\$154,743	\$196,591	\$216,284	\$162,071	\$66,074	-\$58,477	\$23,401
21	Monthly Average Benefit	\$102,315	\$102,315	\$102,315	\$102,315	\$102,315	\$102,315	\$102,315	\$102,315	\$102,315	\$102,315	\$102,315	\$102,315
	Total Benefits Oct 02 - Sep 03	\$331,004	\$224,432	\$225,937	\$272,604	\$279,117	\$328,344	\$370,192	\$391,885	\$335,672	\$289,675	\$115,124	\$197,002
23	Total Monthly Average Benefit	\$275,916	\$275,916	\$275,916	\$275,916	\$275,916	\$275,916	\$275,916	\$275,916	\$275,916	\$275,916	\$275,916	\$275,916

\$3,310,988
\$275,916

BEFORE THE
IDAHO PUBLIC UTILITIES COMMISSION
CASE NO. AVU-E-02-
ATTACHMENT NO. 2

AVISTA CORPORATION

Proposed Rate Adjustment
 Residential Exchange Program
 State of Idaho
Twelve Months Ending September 30, 2003

<u>Schedule</u>	<u>10/02-9/03 Forecast kWhs</u>	<u>Rate Adjustment per kWh</u>	<u>Annual Revenue Reduction</u>
1	994,503,546	-\$0.00347	-\$3,453,669
12	12,607,073	-\$0.00347	-43,781
22	5,052,513	-\$0.00347	-17,546
32	7,572,777	-\$0.00347	-26,298
48	<u>1,442,232</u>	-\$0.00347	<u>-5,009</u>
Total	1,021,178,141		-\$3,546,304

Estimated residential exchange benefit 10/02-9/03	-\$3,310,988
Estimated true-up of benefit pass through	-\$213,545
Total	<u>-\$3,524,533</u>
Revenue related expense conversion factor	<u>0.993861</u>
Grossed-up revenue credit	-\$3,546,304
Estimated exchange load per above	<u>1,021,178,141</u>
Rate adjustment per kWh	-\$0.00347

AVISTA CORPORATION

Effect on Residential Bills
 Residential Exchange Program
 State of Idaho
Twelve Months Ending September 30, 2003

	<u>Current Rates*</u>	<u>Current Bill</u>	<u>-\$0.00347 Exchange Credit</u>	<u>% Reduction</u>
<u>600 kWh</u>				
Basic charge	\$4.00	\$4.00		
First 600 kWh	\$0.05507	33.04		
Over 600 kWh	\$0.06408			
		<u>\$37.04</u>	-\$2.08	-5.62%
<u>1,000 kWh</u>				
Basic charge	\$4.00	\$4.00		
First 600 kWh	\$0.05507	33.04		
Over 600 kWh	\$0.06408	<u>25.63</u>		
		<u>\$62.67</u>	-\$3.47	-5.54%
<u>1,400 kWh</u>				
Basic charge	\$4.00	\$4.00		
First 600 kWh	\$0.05507	33.04		
Over 600 kWh	\$0.06408	<u>51.26</u>		
		<u>\$88.31</u>	-\$4.86	-5.50%

*Rates effective October 12, 2001 including effect of Schedules 65, 66 and 91.



News Release

Contact: Media: Catherine Markson (509) 495-2916 catherine.markson@avistacorp.com

FOR RELEASE:
August 30, 2002
9 a.m. PDT

Avista Asks to Pass Along Additional Benefits from BPA Agreement
If approved, the current annual rate reduction for average residential and small-farm customers would increase to over \$40

Spokane, Wash.: Avista Corp. (NYSE:AVA) filed a request today with the Idaho and Washington public utility commissions to pass along an increase in benefits currently being enjoyed by its residential and small-farm customers resulting from an agreement with the Bonneville Power Administration (BPA).

The agreement that became effective Oct. 1, 2001, and runs through Sept. 30, 2011, aims to share the benefits from federal hydroelectric projects in the Northwest with qualifying electric customers. The actual credit passed along to customers is adjusted periodically to reflect the actual benefits from the agreement with BPA. Avista has asked that the changes, in the form of a rate decrease, go into effect on Oct. 1, 2002, in Washington, and Oct. 12, 2002, in Idaho. Overall, the annual benefit to Avista's customers is about \$8.3 million in Washington and \$3.5 million in Idaho.

If approved, customers' bills in Washington will be 6.4 percent lower than without the credit. In Idaho, the rate reduction would be about 5.5 percent. For residential customers in Washington using 1,000 kilowatt-hours of electricity, bills will decrease an additional 29 cents for a total decrease of \$3.79 per month. In Idaho, bills will decrease 10 cents more for a total of \$3.47 per month.

Avista serves 279,000 residential and small-farm electric customers in Washington and Idaho.

This filing is subject to public review and approval by the Washington Utilities and Transportation Commission and the Idaho Public Utilities Commission. Copies of the Avista's application are available in the company's offices, the offices of the state utility commissions and on the web at www.avistautilities.com under "Energy Prices."

page 2 Avista Asks to Pass Along Additional Benefits from BPA Agreement

Avista Corp. is an energy company involved in the production, transmission and distribution of energy as well as other energy-related businesses. Avista Utilities is a company operating division that provides electric and natural gas service to customers in four western states. Avista's non-regulated affiliates include Avista Advantage, Avista Labs and Avista Energy. Avista Corp.'s stock is traded under the ticker symbol "AVA" and its Internet address is www.avistacorp.com.

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