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Attorney for the Commission Staff

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

**IN THE MATTER OF THE APPLICATION OF)
AVISTA CORPORATION FOR A) CASE NO. AVU-E-04-4
MODIFICATION TO THE RESIDENTIAL)
AND SMALL FARM ENERGY RATE) COMMENTS OF THE
ADJUSTMENT CREDIT (SCHEDULE 59).) COMMISSION STAFF
_____)**

COMES NOW the Staff of the Idaho Public Utilities Commission, by and through its Attorney of record, Scott Woodbury, Deputy Attorney General, and in response to the Application of Avista Corporation filed on October 1, 2004 in Case No. AVU-E-04-4, submits the following comments.

BACKGROUND AND STAFF ANALYSIS

On October 1, 2004, Avista Corporation dba Avista Utilities (Avista; Company) filed an Application with the Idaho Public Utilities Commission (Commission) requesting authority to increase its Residential and Farm Energy Rate Credit (BPA Credit). The current credit is 0.252 ¢/kWh and the proposed credit is 0.412 ¢/kWh.

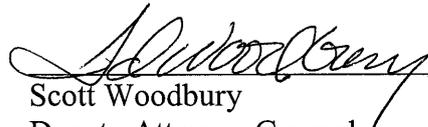
The proposed credit is made up of three parts, a deferred unrefunded balance, an amount projected to be received from BPA during the coming year under the existing contract and an additional amount associated with the secondary effects of reduced customer revenue. The secondary effects of reduced customer revenue to be passed onto customers are reduced

commission fees and reduced uncollectibles. The total amount to be credited to customers is divided by expected annual sales subject to the credit to get the credit rate. The credit rate calculation contains assumptions about the number of kWhs the Company will sell to qualifying customers as well as the level of the three Bonneville Power Administration (BPA) Cost Recovery Adjustment Clauses (CRACs) which affect BPA's payments to Avista. Differences between what Avista receives from BPA, with adjustment for secondary effects, and what Avista credits to customers are deferred and will be trued up in the following year.

STAFF RECOMMENDATION

The Staff has reviewed the Company's accounting and calculations. Staff finds the deferral calculations and quantification of the secondary effects of the credit to be correct. The Staff believes that the rate calculation is based on reasonable estimates of the money Avista will receive from BPA and the amount of energy Avista will sell to its customers who qualify for the credit. Staff recommends approval of the Company's Application as filed for an effective date of November 1, 2004.

Respectfully submitted this 20th day of October 2004.



Scott Woodbury
Deputy Attorney General

Technical Staff: Keith Hessing
Kathy Stockton

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 20TH DAY OF OCTOBER 2004, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF**, IN CASE NO. AVU-E-04-4, BY MAILING A COPY THEREOF, POSTAGE PREPAID, TO THE FOLLOWING:

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