

Avista Corp.
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IDAHO PUBLIC
UTILITIES COMMISSION

August 14, 2006

AVU-E-06-05

State of Idaho
Idaho Public Utilities Commission
Statehouse
Boise, ID 83720

Attention: Ms. Jean Jewell, Secretary

Submission of Power Cost Adjustment (PCA) Status Report of Avista Corporation
And Request for Recovery of Power Costs Deferred through June 30, 2006

Enclosed for filing with the Commission are an original and seven copies of the PCA Status Report of Avista Corporation and Request for Recovery of Power Costs Deferred through June 30, 2006. Also enclosed are nine copies of prefiled direct testimony and exhibits. Three copies of supporting workpapers including monthly PCA reports for the months of July 2005 through June 2006 are enclosed. Also enclosed is a Certificate of Service.

Please direct any questions regarding this filing to Ron McKenzie at (509) 495-4320.

Sincerely,

A handwritten signature in cursive script that reads "Kelly Norwood".

Kelly Norwood
Vice President, State and Federal Regulation

Enclosures
RM

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IDAHO PUBLIC UTILITIES COMMISSION

1 David J. Meyer
2 Vice President and Chief Counsel of
3 Regulatory and Governmental Affairs
4 Avista Corporation
5 1411 E. Mission Avenue
6 P. O. Box 3727
7 Spokane, Washington 99220
8 Phone: (509) 489-0500, Fax: (509) 495-8851
9

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11
12 BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION
13

14 IN THE MATTER OF THE SUBMISSION OF THE)
15 POWER COST ADJUSTMENT (PCA) STATUS) CASE NO. AVU-E-06-05
16 REPORT OF AVISTA CORPORATION AND)
17 REQUEST FOR RECOVERY OF POWER COSTS)
18 DEFERRED THROUGH JUNE 30, 2006)
19

20 I. INTRODUCTION

21 Avista Corporation, doing business as Avista Utilities (hereinafter Avista or Company), at
22 1411 East Mission Avenue, Spokane, Washington, respectfully files the status report as required by
23 the Commission¹, and requests the Commission issue an order approving recovery of power costs
24 deferred through June 30, 2006, and the continuation of the existing PCA surcharge. The existing
25 PCA surcharge of 2.448% was approved effective April 15, 2005 by Order No. 29752 dated April
26 12, 2005 in Case No. AVU-E-05-1. In that case the PCA surcharge was reduced to offset the
27 increase in base tariff rates to recover costs associated with the purchase of the second half of the
28 Coyote Springs 2 generating plant.

¹ As stated by the Commission at page 2 of its Order No. 29881 dated October 4, 2005 in Case No. AVU-E-05-6: "The Company is directed to file a status report on or before August 15, 2006, accounting for PCA funds and payment of the power cost deferral, covering the period from July 1, 2005 through June 30, 2006."

1 A 19.4% surcharge was originally authorized by this Commission by Order No. 28876 dated
2 October 11, 2001 in Case No. AVU-E-01-11. The surcharge was extended by Order No. 29130
3 dated October 11, 2002 in Case No. AVU-E-02-6, and by Order No. 29377 dated November 18,
4 2003 in Case No. AVU-E-03-6. The surcharge was reduced to 4.385% effective September 9, 2004
5 in conjunction with a general rate increase authorized by Amended Interlocutory Order No. 29588 in
6 Case No. AVU-E-04-1 dated September 9, 2004. The surcharge was then reduced to the existing
7 level of 2.448% effective April 15, 2005 in Case No. AVU-E-05-1. The surcharge was extended by
8 Order No. 29881 in Case No. AVU-E-05-6 dated October 4, 2005.

9 Pursuant to Order No. 29881 in Case No. AVU-E-05-6, this filing, along with the attached
10 testimony and associated workpapers (incorporated herein by reference), serves as the PCA status
11 report for twelve months ended June 30, 2006. In this filing the Company has identified the power
12 cost deferrals during the review period, and has explained the primary factors causing the PCA
13 deferrals.

14 The Company requests that this status report be processed under the Commission's Modified
15 Procedure rules.

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

17 Kelly O. Norwood
18 Vice President
19 State and Federal Regulation
20 Avista Corporation
21 1411 E. Mission Avenue
22 Spokane, Washington 99220
23 Phone: (509) 495-4267
24 Fax: (509) 495-8851
25

David J. Meyer
Vice President and Chief Counsel of
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II. DEFERRAL ACTIVITY AND REPORTING

1 The deferral balance of \$5.9 million at June 30, 2005 is shown below, together with the
2 changes in the balance through June 30, 2006. Mr. McKenzie's testimony explains the changes in
3 the deferral balance and Mr. Storro's testimony provides additional explanation of the factors
4 causing the deferral entries for the period July 2005 through June 2006. Net deferrals for the twelve
5 month period were \$98,317 in the rebate direction.

6	Unrecovered balance at June 30, 2005	\$5,935,324
7	Net Deferral Activity (July 2005 - June 2006)	-98,317
8	Amortizations Related to Surcharge Revenues (July 2005 – June 2006)	-4,599,432
9	Interest	<u>279,528</u>
10	Unrecovered balance at June 30, 2005	<u>\$1,517,103</u>

11 Monthly reports have been filed with the Commission regarding actual PCA deferral entries
12 to date. To facilitate Staff's review, additional copies of those reports for the months of July 2005
13 through June 2006 have been included with this filing and have also been provided to Potlatch
14 Corporation who intervened in AVU-E-01-11 and AVU-E-02-6.

15 III. NO TARIFF CHANGES

16 The Company is not proposing to change the existing PCA surcharge rates as set forth under
17 Eighth Revision Sheet 66 as a result of this filing. While the annual amount of revenue under the
18 existing surcharge of approximately \$4.3 million is greater than the unrecovered surcharge balance at
19 June 30, 2006 of \$1.5 million, the unrecovered surcharge balance is expected to grow. Mr. Storro's
20 testimony explains the reasons that actual power costs are expected to exceed authorized power costs
21 and what the effect is forecasted to be on the deferral balance. At July 31, 2006 the deferral balance
22 had grown to \$3.2 million. In all likelihood, the deferral balance by the end of August will be higher
23 than the annual surcharge revenue level of \$4.3 million. With the existing surcharge remaining in
24 place the deferral balance is expected to be approximately \$8.7 million at the end of the year.

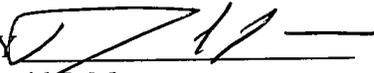
1 However, should conditions turn out to be more favorable than expected, resulting in the deferral
2 balance reaching zero at some point, the Company will make a filing to either zero-out the surcharge
3 rates, or to continue or modify the rates depending upon actual and expected power supply
4 conditions at the time. Should the surcharge rates not be modified prior to filing the next PCA
5 status filing covering the July 2006 through June 2007 twelve-month period, the surcharge rates will
6 be reviewed as a part of that filing.

7 **IV. REQUEST FOR RELIEF**

8 The Company respectfully requests the Commission for an order approving recovery of
9 power costs deferred through June 30, 2006 and the continuation of the existing PCA surcharge
10 rates. The Company requests that this status report filing and request for recovery of deferred power
11 costs be processed under the Commission's Modified Procedure rules.

12 Dated at Spokane, Washington this 14th day of August 2006.

13
14 AVISTA CORPORATION

15
16 BY 

17 David J. Meyer

18 Vice President and Chief Counsel of
19 Regulatory and Governmental Affairs
20

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that I have served Avista Corporation's filing related to Avista Corporation's submission of the Power Cost Adjustment (PCA) Status Report and Request for Recovery of Power Costs Deferred through June 30, 2006, by mailing a copy via overnight mail thereof, postage prepaid to the following:

Ms Jean D Jewell, Secretary
Idaho Public Utilities Commission
PO Box 83702
West 472 Washington
Boise, ID 83720-5983

Pam Mull
Potlatch Corporation
601 W. Riverside Ave.
Suite 1100
Spokane, WA 99201
(Workpapers Not Included)

Conley E. Ward
Givens Pursley LLP
601 W. Bannock St.
Boise, ID 83701-2720

Dated at Spokane, Washington this 14th day of August 2006.



Patty Olsness
Rates Coordinator