

## DECISION MEMORANDUM

**TO:** COMMISSIONER KJELLANDER  
COMMISSIONER SMITH  
COMMISSIONER HANSEN  
COMMISSION SECRETARY  
COMMISSION STAFF  
LEGAL

**FROM:** SCOTT WOODBURY

**DATE:** SEPTEMBER 19, 2006

**SUBJECT:** CASE NO. AVU-E-06-8 (Avista)  
PROPOSED ELIMINATION OF CENTRALIA GAIN RATE CREDIT

On September 14, 2006, Avista Corporation dba Avista Utilities (Avista; Company) filed an Application with the Idaho Public Utilities Commission (Commission) requesting to eliminate or zero-out the temporary rate adjustment credits (tariff Schedule 65) that have been used to pass through the customer portion of the gain on the sale of the Centralia Power Plant. The proposed effective date is November 1, 2006. The Company expects that the customer portion of the gain on the sale of the Centralia Power Plant will be fully refunded to customers by November 1, 2006.

Elimination of the rate credit will result in an overall annual increase in Idaho electric revenue of approximately \$2.5 million or 1.45% and will affect all electric customers. Energy charges for the individual rate schedules are to be increased by the following amounts:

Schedule 1	0.091¢
Schedule 11 and 12	0.124¢
Schedule 21 and 22	0.085¢
Schedule 25	0.059¢
Schedule 31 and 32	0.073¢

Flat rate charges for Street and Area Lighting Service (Schedules 41-49) are to be increased by 1.777%.

### BACKGROUND

The Commission approved the sale of the Company's interest in the Centralia Power Plant in Order No. 28297 dated March 7, 2000 in Case No. AVU-E-99-6. The customer portion

of the gain was deferred and was originally to be passed on to customers over an eight-year period. Potlatch's Lewiston facility was initially exempted from receiving any portion of the gain as the facility was served under a special service contract. The Centralia gain rate credits contained on Original Sheet 65 were effective August 1, 2000. Beginning January 1, 2002, Potlatch began receiving service under Schedule 25 – Extra Large General Service and began receiving and has continued to receive the Centralia gain credit applicable to Schedule 25.

The Commission in 2004 approved the sale of the Company's interest in the Skookumchuck hydroelectric generation facility, which is operated to supply cooling water to the Centralia Power Plant. Reference Order No. 29484, Case No. AVU-E-04-2. As proposed by the Company and approved by the Commission, the customer portion of the gain on the sale Skookumchuck was deferred and added to the deferred gain on the Centralia Power Plant.

The customer portion of the net of tax Centralia gain amounted to approximately \$7,507,000 and the customer portion of the net of tax Skookumchuck gain amounted to approximately \$154,000. The Company expects that the total amount of the net of tax gains of approximately \$7,661,000, and the benefit of a carrying cost on the unamortized gains, will have been passed on to customers at the end of October 2006. The shorter pass-through period is due primarily to having Potlatch receive the gain credit applicable to Schedule 25 beginning January 1, 2002. In addition, customer loads have grown since the gain credits were made effective on August 1, 2000, also resulting in a shorter pass-through period. The Company proposes that any under-refunded or over-refunded balance on November 1, 2006 be transferred to the deferred Power Cost Adjustment (PCA) deferral account as well as the remaining balance of associated deferred federal income tax being transferred to the PCA deferred tax account.

Avista proposes that the Centralia gain temporary rate credits be eliminated effective November 1, 2006. Elimination of the temporary rate credits will result in an overall increase in annual revenue of approximately \$2.5 million. A residential customer using 1,000 kilowatt-hours per month will see an increase of \$0.91 or 1.45% in their monthly bill due to the elimination of the temporary rate credit.

#### **COMMISSION DECISION**

Avista requests an Order from the Commission approving the elimination or zeroing out of the Centralia gain rate credits contained on temporary rate adjustment Schedule 65, effective November 1, 2006. Any under-refunded or over-refunded balance of the Centralia gain

will be transferred to the PCA deferral account and PCA deferred tax account. Avista requests that its Application be processed under Modified Procedure, i.e., by written submission rather by hearing. Reference Commission Rules of Procedure, IDAPA 31.01.01.201-204. Staff concurs in the recommended procedure. Does the Commission agree that Modified Procedure is appropriate in Case No. AVU-E-06-8?

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Scott Woodbury

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