

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

**IN THE MATTER OF THE APPLICATION)
OF AVISTA CORPORATION FOR A) CASE NO. AVU-E-06-09
MODIFICATION TO THE RESIDENTIAL)
AND SMALL FARM ENERGY RATE) ORDER NO. 30164
ADJUSTMENT CREDIT)**

On September 14, 2006, Avista Corporation dba Avista Utilities (Avista; Company) filed an Application with the Idaho Public Utilities Commission (Commission) requesting approval of a proposed modification to the Residential and Small Farm Energy Rate Adjustment credit. Tariff Schedule 59. Avista proposes that the credit be increased from the existing 0.412¢ per kilowatt hour (kWh) to 0.459¢ per kWh effective November 1, 2006. The Commission in this Order approves the Company's Application.

As a northwest regional utility, Avista is entitled to participate in the Residential Exchange Program (REP) that extends the benefits of the Columbia River Federal Power Program to residential and small farm customers served by investor-owned utilities in the region. Section 5c of the Northwest Power Act, 16 U.S.C. § 839(c). The REP is administered by the Bonneville Power Administration (BPA). As reflected in the Application, 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 (Agreement) between Avista and Bonneville Power Administration (BPA). The increase in the rate credit is due to increased benefits Avista will receive during the second five-year period (2006-2011) of the 10-year agreement with BPA (2001-2011). Under the Agreement, the base calculator for Avista's customer benefits was set at 98 MW for the first five-year period and 149 MW for the second five-year period, which results in higher benefits during the second five-year period.

The proposed rate credit is a uniform cents per kWh decrease of 0.459¢ and would apply to residential and small farm customers served under Schedules 1, 12, 22, 32, and 48. For residential and small farm area lighting customers served under Schedule 48, the proposed credit is applied on a uniform cents per kWh basis to the energy usages of the various lights covered

under that rate schedule. The calculation of the proposed rate credit is shown in Company workpapers.

The increase in the rate credit will have no effect on Avista's net income. For residential customers using 1,000 kilowatt hours per month the new credit will be \$4.59 per month or \$0.47 more than the existing credit of \$4.12 per month. With the new higher credit in place, residential customers' bills will be about 0.75% lower than they were before the increase in rate credit. The proposed credit passes through the expected level of benefits to be received from BPA during the period November 1, 2006 through October 31, 2007, adjusted for the projected, over-refunded balance at October 31, 2006.

On September 28, 2006, the Commission issued Notices of Application and Modified Procedure in Case No. AVU-E-06-9. The deadline for filing written comments was October 23, 2006. Comments were filed by one of the Company's customers who is retired and on a fixed income. Comments and recommendations were also filed by Commission Staff. Staff has reviewed the Company's Application, workpapers, accounting and calculations. Staff finds the deferral calculations and quantification of the secondary effects of the BPA exchange credit to be correct. Staff believes that the rate calculation is based on the reasonable estimates of the money Avista will receive from BPA in the amount of energy Avista will sell to its customers who qualify for the credit. Staff has reviewed the proposed changes for Avista's Schedule 59 and recommends that the Commission approve the Application for an effective date of November 1, 2006.

Commission Findings

The Commission has reviewed the filings of record in Case No. AVU-E-06-9 including the comments and recommendations of Commission Staff. The Commission continues to find it reasonable to process the Company's Application pursuant to Modified Procedure, i.e., by written submission rather than by hearing. IDAPA 31.01.01.204.

Avista in this case requests authority to increase its Schedule 59 Residential and Small Farm Energy Rate Adjustment credit from 0.412¢ per kWh to 0.459¢ per kWh effective November 1, 2006. The proposed credit will benefit qualifying residential and small farm customers and will provide appropriate benefits from regional power as contemplated by the 1980 Pacific Northwest Electric Power Planning and Conservation Act. We are satisfied that the Company workpapers, accounting and calculations are correct and reasonable. The Commission

finds it reasonable to approve the proposed increase in the Company's Schedule 59 Residential and Small Farm Energy Rate Adjustment credit for an effective date of November 1, 2006.

CONCLUSIONS OF LAW

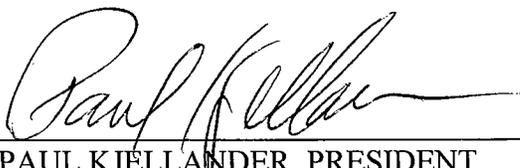
The Idaho Public Utilities Commission has jurisdiction over Avista Corporation dba Avista Utilities, an electric utility, pursuant to the authority granted in Title 61, Idaho Code, and the Commission's Rules of Procedure, IDAPA 31.01.01.000 *et seq.*

ORDER

In consideration of the foregoing and as more particularly described above, IT IS HEREBY ORDERED and the Commission does hereby approve an increase in Avista's Schedule 59 Residential and Small Farm Energy Rate Adjustment credit from 0.412¢ per kWh to 0.459¢ per kWh for an effective date of November 1, 2006.

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 31st
day of October 2006.



PAUL KJELLANDER, PRESIDENT

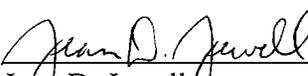


MARSHA H. SMITH, COMMISSIONER



DENNIS S. HANSEN, COMMISSIONER

ATTEST:



Jean D. Jewell
Commission Secretary

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