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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-06-9**
MODIFICATION TO THE RESIDENTIAL AND)
SMALL FARM ENERGY RATE ADJUSTMENT)
CREDIT) **COMMENTS OF THE**
) **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 Notice of Application, Notice of Modified Procedure and Notice of Comment/Protest Deadline issued on September 28, 2006, submits the following comments.

BACKGROUND

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 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. 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 aMW for the first five-year period and 149 aMW 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 of 0.459¢ and will apply to residential and small farm customers served under Schedules 1, 12, 22, 32, and 48.

The proposed increase in the rate credit will result in an overall reduction in annual revenue of approximately \$552,000. The increase in the rate credit and reduction in revenues will not affect 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.

STAFF ANALYSIS

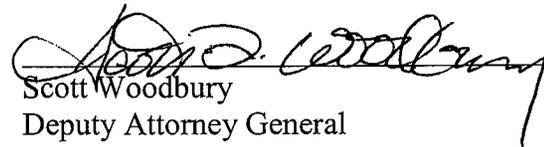
The Settlement Agreement (Agreement) between Avista and BPA established the Residential and Small Farm Energy Credit. The Agreement settles the parties' rights and obligations under the Residential Exchange Program provided for by the Northwest Regional Power Act. Under the Settlement Agreement the benefits Avista receives from the Federal Columbia River Power System will increase from 90 to 149 aMWs beginning November 1, 2006. The benefits provided for under this Agreement are to be passed through and shared by the eligible residential and small farm customers of Avista.

Staff has reviewed the proposed changes for Avista's Schedule 59, Residential and Farm Energy Rate Adjustment Credit. The proposed change will allow the Company to continue passing through benefits allocated under the Agreement to qualified customers. The proposed change reduces the energy charges in Schedules 1, 12, 22, and 32. 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.

RECOMMENDATION

The proposed residential exchange credit adjustment proposed by Avista in Case No. AVU-E-06-9 will increase Schedule 59 benefits to qualified residential and small farm customers under the Residential Exchange Program. Staff recommends that the Commission approve the Application for an effective date of November 1, 2006.

Respectfully submitted this 23rd day of October 2006.


Scott Woodbury
Deputy Attorney General

Technical Staff: Mike Darrington

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 23RD DAY OF OCTOBER 2006, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF**, IN CASE NO. AVU-E-06-09, BY E-MAILING A COPY THEREOF AND BY MAILING A COPY THEREOF, POSTAGE PREPAID, TO THE FOLLOWING:

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