

DECISION MEMORANDUM

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

FROM: SCOTT WOODBURY

DATE: OCTOBER 24, 2006

SUBJECT: CASE NO. AVU-E-06-9 (Avista)
BPA RESIDENTIAL AND SMALL FARM ENERGY 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.

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 proposed increase in the rate credit would result in an overall reduction in annual revenue of approximately \$552,000. For residential customers using 1,000 kilowatt hours per month the new credit would 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 proposed changes for Avista's Schedule 59 and recommends that the Commission approve the Application for an effective date of November 1, 2006.

COMMISSION DECISION

Avista has filed an Application requesting a change in its BPA residential and small farm energy rate adjustment credit. Tariff Schedule 59. The Company proposes that the credit be increased from the existing 0.412¢ per kWh to 0.459¢ per kWh effective November 1, 2006. Staff recommends approval. Does the Commission find it reasonable to approve the Company's Application?

Scott Woodbury

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