

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

**IN THE MATTER OF THE APPLICATION )  
OF AVISTA CORPORATION TO REVISE ) CASE NO. AVU-E-07-03  
THE RESIDENTIAL AND SMALL FARM )  
ENERGY RATE ADJUSTMENT CREDIT, )  
SCHEDULE 59. ) ORDER NO. 30366  
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On May 31, 2007, the Commission granted Avista's request to revise its Schedule 59 Residential and Small Farm Rate Adjustment Credit, and implemented a 0.144 cents per kilowatt-hour surcharge on an interim basis along with the elimination of Residential Exchange Credit pass-through from the Bonneville Power Administration (BPA). Order No. 30327. The Commission also issued a Notice of Modified Procedure seeking comments regarding the calculation of the surcharge. The Commission received comments from Staff and two customers. With this Order the Commission authorizes the continuation of the surcharge as more fully set forth below.

**BACKGROUND**

On May 21, 2007, BPA issued letters to PacifiCorp, Idaho Power, and Avista indicating that because of recent 9<sup>th</sup> Circuit Court of Appeals decisions<sup>1</sup> it was suspending the monthly payments or credits that it had been making pursuant to the Residential Exchange Program (REP) Settlements under the Northwest Power Act. Order No. 30327. As a result, on May 22, 2007, Avista Corporation (Company) filed a tariff advice with the Commission to revise the Residential and Small Farm Rate Adjustment Credit, Schedule 59. The revised tariff sheet proposed elimination of the Residential and Small Farm Energy Rate Adjustment Credit of 0.459 cents per kilowatt-hour and established a proposed surcharge of 0.144 cents per kilowatt-hour rate to recover the over-refunded exchange credit balance over a 12-month period.

The Company uses a balancing account for the receipt of REP benefits from BPA. At the end of April 2007 there was an over-refunded balance of approximately \$913,000 for Idaho customers. When the rate credit was established, it was projected that the balancing account would reach zero at the end of October 2007. The Company stated that during winter

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<sup>1</sup> *Portland General Electric Co. v. Bonneville Power Admin.*, \_\_\_F.3d\_\_\_, 2007 WL 1288786 (9<sup>th</sup>Cir); *Golden Northwest Aluminum, Inc. v. Bonneville Power Admin.*, \_\_\_F.3d\_\_\_, 2007 WL 1289539 (9<sup>th</sup>Cir).

months, when its loads are higher, the amounts refunded to customers exceed the REP benefit payments from BPA. Likewise, during summer months, when loads are lower, the amounts refunded to customers are less than the REP benefit payments from BPA. Consequently, the termination of the REP benefit payments from BPA prior to the summer months resulted in the over-refunded balance.

The Commission found good cause to act on the Company's filing in an expedited manner, and approved the elimination of the credit as well as the imposition of the requested surcharge to collect the over-refunded balance. Order No. 30327. The Commission approved the surcharge in order to bring the over-refunded balance back to zero. *Id.* The Commission ordered that the surcharge be approved on an interim basis subject to refund based on Staff's audit and investigation and subsequent Commission Order. *Id.* Staff was directed to audit the deferral balance amount, to review the assumptions and calculations leading to the surcharge rate, and to advise the Commission as to whether it is properly allocated, whether it is in the proper amount, and whether the recovery period is appropriate. *Id.* A separate Notice of Modified Procedure was issued setting forth a 30-day comment period for the purposes stated above and for public comment. Order No. 30328.

#### **STAFF COMMENTS**

Staff reviewed the information supporting the 0.144 cents per kilowatt-hour surcharge approved in Order No. 30327 and concluded that the methodology and data used in the calculation of the surcharge amount was appropriate. Staff stated that the surcharge could reasonably be expected to eliminate the negative balance in the BPA credit account during the projected 12-month time period.

Staff recommended the surcharge be continued at the current rate. Staff also recommended that the Company track the balance of collections from the surcharge versus excess credits received by rate schedule and provide a report to the Commission within 30 days of the termination of the surcharge regarding any significant over/under collection by customer class.

#### **DISCUSSION/FINDINGS**

We find that the interim surcharge rate implemented by Order No. 30327 should be authorized to continue at its present level until either the over-refunded balance reaches zero or the REP credits from BPA resume. The REP benefit payments are passed on to customers with a

rate credit paid as a uniform cents per kilowatt-hour rate. Because different rate groups have varying patterns of seasonal energy usage, and because credits were received for only part of a year, there was a deficit amount in the balancing account at the time of cessation of payments from BPA. Where normally the account would balance on a yearly basis at the end of October, the cessation of payments as of April left the account over-refunded by approximately \$913,000. We find the surcharge to be a reasonable and appropriate method by which to eliminate the over-refunded balance.

Because there is the possibility that different customer classes may pay a disproportionate amount through the surcharge compared to the benefit that group received from the over-payment, we find that the Company should track the balance of collections from the surcharge versus excess credits received by each rate schedule, or customer class, and provide a report to the Commission within 30 days of the termination of the surcharge. The surcharge will terminate either when the over-refunded balance reaches zero or the REP credits from BPA resume. Any significant imbalances that exist between credits and collections for any customer classes upon the termination of the surcharge may be addressed in a future Commission proceeding.

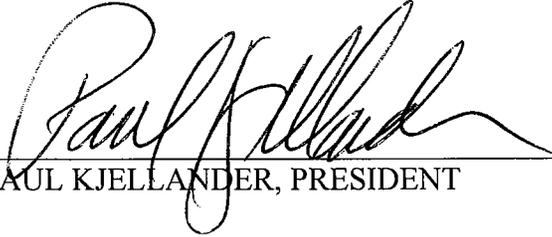
### **ORDER**

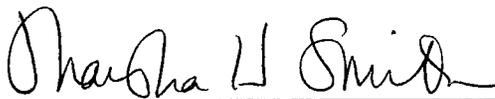
IT IS HEREBY ORDERED that the interim surcharge rate of 0.144 cents per kilowatt-hour, implemented by Order No. 30327, is authorized to continue until either the over-refunded balance reaches zero or the REP credits from BPA resume.

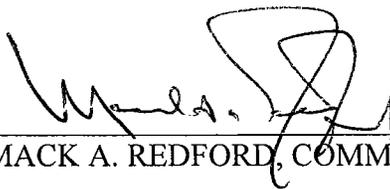
IT IS FURTHER ORDERED that the Company track the balance of collections from the surcharge versus excess credits received by rate schedule, or customer class, and provide a report to the Commission within 30 days of the termination of the surcharge. Any significant imbalances that exist between credits and collections for any customer classes upon the termination of the surcharge may be addressed in a future Commission proceeding.

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 with regard to any matter decided in 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.

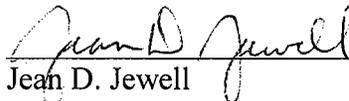
DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 12<sup>th</sup>  
day of July 2007.

  
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PAUL KJELLANDER, PRESIDENT

  
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MARSHA H. SMITH, COMMISSIONER

  
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MACK A. REDFORD, COMMISSIONER

ATTEST:

  
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Jean D. Jewell  
Commission Secretary

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