

DECISION MEMORANDUM

TO: COMMISSIONER KJELLANDER
COMMISSIONER SMITH
COMMISSIONER REDFORD
COMMISSION SECRETARY
LEGAL

AVU-E-07-03

FROM: RANDY LOBB

DATE: MAY 23, 2007

RE: AVISTA CORP. TARIFF ADVICE TO REVISE THE RESIDENTIAL
AND SMALL FARM ENERGY RATE ADJUSTMENT CREDIT,
SCHEDULE 59.

On May 22, 2007, Avista Corp (Company) filed a Tariff Advice to revise the Residential and Small Farm Energy Rate Adjustment Credit, Schedule 59. The revised tariff sheet eliminates the Residential and Small Farm Energy Rate Adjustment Credit of 0.459 cents per kilowatt-hour and establishes a proposed charge of 0.144 cents per kilowatt-hour rate to recover the over refunded exchange credit balance over a twelve month period.

The Company has proposed an effective date of June 22, 2007, to accommodate the 30-day statutory notice requirement. However, the Company also notes that the delay in the effective date will increase the credit deferral balance subject to later recovery and therefore requests approval of the tariff change as soon as possible.

In support of its filing the Company has submitted the sworn affidavit of David J. Meyer, Vice President and Chief Counsel of Regulatory Affairs of Avista Corporation, stating that the Bonneville Power Administration has suspended Residential Exchange Program Payments, thereby creating an emergency situation and the need for the foregoing filing. The Company estimates that the average customer bill will increase by 9.52% through elimination of the credit and implementation of the deferral balance surcharge.

STAFF ANALYSIS

Staff has reviewed the Company's filing and supports emergency revision of the Residential and Small Farm Energy Rate Adjustment Credit. Staff believes that the affidavit of David Meyer with the supporting letter from the Bonneville Power Administration suspending

Residential Exchange Program Payments to Avista justifies the emergency action. Failure to take immediate action will result in significant overpayment of credits to Avista's customers with rapid growth in the credit deferral balance subject to later recovery through customer surcharge.

Consequently, Staff recommends that the proposed surcharge rate of 0.144 cents per kilowatt-hour be implemented with an effective date of June 1, 2007. However, while Staff recognizes the emergency situation that justifies elimination of Residential Exchange Credit payments, it does not believe recovery of the existing credit deferral balance constitutes such an emergency. Staff's support of the Credit Rate Surcharge to recover the deferral balance is on an interim basis in an effort to affect a single change in the rate credit. Staff further recommends modified procedure with a 30-day comment period to allow customer input, to conduct additional audit of the deferral balance amount and to review assumptions and calculations leading to the derivation of the surcharge rate. Once the comment period is completed, the Commission can either continue the interim surcharge rate or change it if warranted.

The Company has not indicated in its filing how notice will be provided to customers. However, it is Staff's understanding that the Company will immediately begin providing notice in billings regarding the elimination of the rate credit and the implementation of the proposed surcharge subject to comment. Staff believes this is reasonable customer notice given the emergency nature of the situation.

RECOMMENDATION

Staff recommends that the Residential and Small Farm Energy Rate Adjustment Credit be modified to reflect a surcharge of 0.144 cents per kilowatt-hour. The rate change is to be processed in two parts: 1) emergency elimination of the rate credit; and, 2) interim implementation of the rate credit surcharge to recover Avista's existing credit deferral balance.¹ Modified procedure and a comment period are recommended to determine if such surcharge is properly allocated and appropriate for the full period as proposed by Avista. Staff recommends modified procedure with a 30-day comment period.

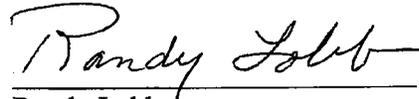
¹ Staff recommends that the rate credit and surcharge be effective June 1, 2007.

COMMISSION DECISION

Does the Commission accept Staff's recommendation?

Does the Commission wish to eliminate the BPA rate credit effective June 1, 2007?

Does the Commission wish to order the surcharge effective June 1, 2007, subject to verification by modified procedure as recommended by Staff above?


Randy Lobb

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