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BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

**IN THE MATTER OF THE APPLICATION OF)
AVISTA CORPORATION TO REVISE THE) CASE NO. AVU-E-07-3
RESIDENTIAL AND SMALL FARM ENERGY)
RATE ADJUSTMENT CREDIT, SCHEDULE 59.) COMMENTS OF THE
) COMMISSION STAFF
)
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The Staff of the Idaho Public Utilities Commission, by and through its Attorney of record, Donovan E. Walker, Deputy Attorney General, in response to Order No. 30328, the Notice of Modified Procedure issued on May 31, 2007, respectfully submits the following comments.

BACKGROUND

On May 21, 2007, the Bonneville Power Administration (BPA) issued letters to PacifiCorp, Idaho Power, and Avista indicating that because of recent 9th Circuit Court of Appeals decisions¹ 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. See Order No. 30327. As a result, on May 22, 2007, Avista Corporation (Company) filed a Tariff Advice

¹ *Portland General Electric Co. v. Bonneville Power Admin.*, ___ F.3d ___, 2007 WL 1288786 (9th Cir); *Golden Northwest Aluminum, Inc. v. Bonneville Power Admin.*, ___ F.3d ___, 2007 WL 1289539 (9th Cir).

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 because the Schedule 59 rate credit is a uniform cents per kilowatt-hour rate, and because the REP benefit payments from BPA are lower in the winter and higher in the summer, the result is the over-refunded balance stated above.

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 REVIEW

Staff reviewed the information supporting the surcharge approved in Order No. 30327 and recommends that the methodology and data used in the calculation of the surcharge amount is appropriate. The surcharge level resulting from those calculations can reasonably be expected to eliminate the negative balance in the BPA credit account in the projected 12 month time period. Therefore, Staff continues to support the surcharge at the approved level.

The Company's proposal did not provide details about how the Company would determine exactly when to terminate the surcharge, and address any over or under collection of revenue from the surcharge. In addition, the Company's methodology treats all rate groups as a single unit, and does not align the amounts to be collected from each rate group with the amounts of excess credits previously received by each rate group. Staff's analysis of the information provided by the Company indicates that the different rate groups have varying patterns of seasonal energy usage. Because credits were received for only part of a year, but the collections will occur throughout the year, the collections from some rate groups are projected to exceed the amount of excess credits received by that group, while other rate groups are projected to not fully repay the amount of excess credits paid to their rate group.

According to Staff's calculations, collections from Schedule 1 customers (residential) will be approximately \$10,000 more than the excess credits received by Schedule 1 customers, while collections from Schedule 22 customers (large farm and residential) will be approximately \$8,000 less than excess credits received, and Schedule 32 collections (Irrigation) approximately \$2,000 less than excess credits received. Schedules 12 (small farm and residential) and 48 (non-street lighting) would have minimal differences.

Staff notes that the calculations above are based upon the Company's energy use projections, and that actual usage by rate group for the first 5 months of 2007 varied from the projections significantly. While the Company's projections are reasonably accurate for system-wide planning purpose, the projections for each individual rate group, especially on a monthly basis, appear to vary from actual use by significant margins. This variation between actual usage and projected usage for the five months for which such data was available was sufficient to increase or decrease the amount of imbalance in any rate group approximately threefold.

Consequently, Staff does not support making any adjustments to the Company's proposal based upon projected usage, nor does Staff believe this issue needs to be resolved at this time. Staff recommends that the Company track the balance of collections from the surcharge versus excess credits received by rate group, and provide the Commission with a status report within 30 days of the termination or any change in the amount of the surcharge, either due to the elimination of the deficit in the BPA credit account, or a resumption of payments for credits by BPA. This report should also include a recommendation if necessary for eliminating any significant imbalances that remains between the collections and excess credits for each rate schedule. Staff

notes that remaining imbalances could be addressed through the continued provision of credits and/or surcharges, especially if BPA payments are resumed.

STAFF RECOMMENDATION

Staff recommends the surcharge be continued at the current rate. Staff further recommends 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. This report should include an accounting of the credits paid to and collections received from customers by rate schedule, as well as a recommendation for addressing any significant imbalances that may remain between credits and collections for any rate class.

Respectfully submitted this *2nd* day of July 2007.



Donovan E. Walker
Deputy Attorney General

Technical Staff: Wayne Hart

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 2ND DAY OF JULY 2007, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF**, IN CASE NO. AVU-E-07-03, BY MAILING A COPY THEREOF, POSTAGE PREPAID, TO THE FOLLOWING:

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