

DECISION MEMORANDUM

**TO: COMMISSIONER REDFORD
COMMISSIONER SMITH
COMMISSIONER KEMPTON
COMMISSION SECRETARY
COMMISSION STAFF
LEGAL**

**FROM: SCOTT WOODBURY
DEPUTY ATTORNEY GENERAL**

DATE: JULY 30, 2008

**SUBJECT: CASE NO. AVU-E-08-05 (Avista)
REQUEST FOR APPROVAL OF 0.610¢/kWh PCA SURCHARGE**

On July 28, 2008, Avista Corporation dba Avista Utilities (Avista; Company) filed an Application with the Idaho Public Utilities Commission (Commission) for an order approving a Power Cost Adjustment (PCA) surcharge of 0.610¢/kWh to be effective October 1, 2008. Tariff Schedule 66 (Temporary Power Cost Adjustment).

Avista's PCA mechanism is used to track changes in revenues and costs associated with variations in hydroelectric generation, secondary prices, thermal fuel costs, and changes in power contract revenues and expenses. The Company's existing PCA methodology and method of recovery were approved in 2007 in Case No. AVU-E-07-01 (Order No. 30361). In that case, the Commission approved a change in the PCA methodology from a trigger and cap mechanism to a single annual PCA rate adjustment filing requirement. The Commission also approved a change in the method of PCA deferral recovery from a uniform percentage basis to a uniform cents per kWh basis.

Avista is requesting that the Commission issue an order approving recovery of power costs deferred by the Company for the period July 1, 2007 through June 30, 2008. The proposed 0.610¢/kWh PCA surcharge will replace an existing 0.267¢/kWh surcharge that expires on September 30, 2008. Order No. 30429. The proposed surcharge will recover approximately \$21.7 million in deferrals. The principal factors contributing to the higher power supply expense during the deferral period are reduced hydro-generation and high natural gas fuel costs.

Under the Company's proposal, the surcharge rate for residential customers will increase from 0.267¢/kWh to 0.610¢/kWh, or an increase of 0.343¢/kWh. For an average residential customer using 1,000 kWh per month, the monthly increase will be \$3.43. Under present rates, a residential bill for 1,000 kWh amounts to \$63.44. With the proposed surcharge in place, the monthly bill would be \$66.87, or about 5.4% higher.

The actual percentage increase for individual customers will depend on the rate schedule that the customer receives service under and on how much energy a customer uses. The proposed surcharge is spread on a uniform cents per kilowatt hour basis. The percentage increases will vary by rate schedule as shown below.

Customer Group (Schedule)		Percentage Change
Residential	Schedule 1	5.35%
General Service	Schedules 11, 12	4.29%
Large General Service	Schedules 21, 22	5.54%
Extra Large General Service	Schedule 25	7.84%
Extra Large General Service	Schedule 25P	8.38%
Pumping Service	Schedules 31, 32	5.29%
Street and Area Lights	Schedules 41-49	1.78%

The Company's Application is supported by the testimony of William G. Johnson, Wholesale Marketing Manager, and Ronald L. McKenzie, Manager of Regulatory Accounting and related workpapers.

COMMISSION DECISION

Avista has filed an Application requesting approval of a PCA surcharge of 0.610¢/kWh for an effective date of October 1, 2008. Avista recommends that its Application be processed pursuant to Modified Procedure, i.e., by written submission rather than by hearing. Reference Commission Rules of Procedure, IDAPA 31.01.01.201-204. Staff concurs in the Company's proposed procedure for processing its Application. Does the Commission agree that Modified Procedure is appropriate?



 Scott Woodbury
 Deputy Attorney General

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