

DECISION MEMORANDUM

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

FROM: NEIL PRICE
DEPUTY ATTORNEY GENERAL

DATE: FEBRUARY 20, 2009

SUBJECT: AVISTA CORPORATION'S APPLICATION FOR APPROVAL OF AN ELECTRIC DISTRIBUTION SERVICE AGREEMENT WITH EAST GREENACRES IRRIGATION DISTRICT; CASE NO. AVU-E-09-02

On February 2, 2009, Avista Corporation ("Avista" or "Company") filed an Application with the Commission seeking approval of its Electric Distribution Service Agreement with East Greenacres Irrigation District ("Greenacres").

THE AGREEMENT

The Electric Distribution Service Agreement ("Agreement") entered into between Avista and Greenacres provides for the continuation of "United States Bureau of Reclamation ("Bureau" or "Bureau of Reclamation") energy over Avista owned and operated distribution facilities from Avista's Post Falls Substation to certain delivery points on the Greenacres system. Application at 1. The effective date of the Agreement is March 1, 2009 or the first day following an Order by the Commission granting approval of the Agreement. *Id.*

The Application states that the Agreement is "unique, and therefore more appropriately provided under a special contract rather than a filed tariff." *Id.* at 2. Avista states that the distribution rate charged by the Company is "consistent with distribution charges embedded in current Idaho retail rates" and the net revenues generated via the Agreement will serve as an offset to the Company's fixed costs. *Id.* In recent years, Avista has delivered approximately 3.1 million kWhs to Greenacres' pumping facilities at an annual rate of \$8,157. *Id.* at 3.

The parties entered into the Agreement on January 30, 2009. *Id.* The Agreement does not contain a fixed termination date. *Id.* However, the Agreement will terminate contemporaneously with the occurrence of either of the following conditions: (1) the termination of the parties' Transmission Agreement; or (2) one year prior written notice submitted by either party. *Id.* The distribution charge recited in the Agreement is \$3,622.77 per month, or \$43,473.24 per year. *Id.* The Application states that the charge was "derived from Avista's last cost of service study" and subsequent settlement adjustments and revenue increases associated with Case No. AVU-E-08-01 and Commission Order No. 30647. *Id.* at 3-4.

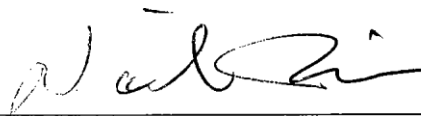
Avista states that "the contract is non-discriminatory and is not unreasonably preferential." *Id.* at 4. The Company requests that its Application be processed under the Commission's Modified Procedure rules. *Id.* at 2.

STAFF RECOMMENDATION

Staff has reviewed Avista's Application and recommends that it be processed through Modified Procedure, i.e., through a written comment period in lieu of a hearing, and recommends a notice and comment period of 21 days. *See* IDAPA 31.01.01.201-204.

COMMISSION DECISION

Does the Commission wish to process Avista's Application through Modified Procedure with a 21-day comment period following a Notice of Application and Notice of Modified Procedure?



Neil Price
Deputy Attorney General

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