

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

**IN THE MATTER OF THE APPLICATION OF )  
AVISTA CORPORATION DBA AVISTA ) CASE NO. AVU-E-09-07  
UTILITIES FOR COMMISSION APPROVAL TO )  
RECOVER DEFERRED POWER COSTS FOR )  
THE PERIOD OF JULY 1, 2008 THROUGH JUNE ) ORDER NO. 30919  
30, 2009 )**

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On July 30, 2009, Avista Corporation (“Avista” or “Company”) dba Avista Utilities filed its annual Power Cost Adjustment (“PCA”) and requested a Commission Order approving the recovery of power costs deferred for the period of July 1, 2008 through June 30, 2009. Avista also requested that the current PCA rate, established by the Commission in Case No. AVU-E-09-01 (Order No. 30856) and effective August 1, 2009, remain in effect until the Company’s next annual PCA filing due on October 1, 2010.

**THE FILING**

As mentioned above, Avista is requesting a Commission Order approving the recovery of power costs deferred for the period of July 1, 2008 through June 30, 2009. *Application* at 1. Avista is not seeking an adjustment to the PCA surcharge rate in this filing. *Id.*

“Avista’s PCA 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.” *Id.* at 2. The current Avista PCA mechanism (single annual rate adjustment filing) was approved by the Commission on June 29, 2007 (AVU-E-07-01). *Id.*; *See* Order No. 30361. PCA deferral recovery is permitted on a “uniform cents per kilowatt-hour basis. . . .” *Id.* In its Order, the Commission approved a change in the PCA methodology from a trigger and cap mechanism to a single annual PCA filing requirement. The Commission also approved a change in the method of PCA deferral recovery moving from a uniform percentage increase in rates to uniform cents per kWh rate.

Avista claims \$10,761,381 in deferral costs for the above-referenced deferral period. *Id.* at 3. Avista Power Contracts Analyst William G. Johnson filed companion testimony summarizing the “factors driving the power supply expenses during the review period, July 2008 through June 2009...” and describing “new long term contracts the Company entered into during the deferral period. . . .” William G. Johnson Direct at 1. Avista Regulatory Accounting

Manager Ronald L. McKenzie filed companion testimony supporting the “accounting entries and account balances related to the Idaho Power Cost Adjustment (PCA) for the twelve months ended June 2009 . . .” and explaining “why no change in the surcharge rate is being proposed.” Ronald L. McKenzie Direct at 1.

In its filing, Avista included copies of monthly reports (July 2008 through June 2009) documenting their “actual PCA deferral entries to date.” *Id.* Pursuant to the Stipulation and Settlement Agreement reached in Avista’s recently completed general rate case (AVU-E-09-01 and AVU-G-09-01), Avista is not requesting a PCA rate adjustment. *See* Order No. 30856. In the Settlement Agreement, parties agreed to reduce the PCA surcharge rate from 0.610¢ per kilowatt-hour to 0.344¢ per kilowatt-hour effective August 1, 2009. *Id.* Avista expects that this PCA rate will remain in effect until October 1, 2010, when the Company files its next annual PCA report. *Id.*

Avista requests that the Commission issue an Order approving the recovery of deferral costs from July 1, 2008 through June 30, 2009, and that the Commission process the Company’s Application through Modified Procedure. *Id.* at 4.

#### **STAFF REVIEW**

Staff examined a representative cross-section of Avista’s expenses comprising the deferral balance for the period between July 2008 and June 2009 – including transactions pertaining to the Purchased Power account (FERC 555), Thermal Fuel account (FERC 501), Combustion Turbine Fuel account (FERC 547), Resource Optimization (557), and Power Sales account (FERC 447). After conducting the audit, Staff concluded that the amounts entered in these accounts by Avista were reasonable and should be included in the deferral balance as of June 30, 2009.

In addition, Staff examined the amount owed to Avista by Lehman Brothers Commodity Services, Inc. (LBCS) for power delivered to LBCS during August and September 2008. LBCS subsequently declared for Chapter 11 bankruptcy and Avista was compelled to “write-off” a portion of the amount owed to Avista. The Company later sold its bankruptcy claim against LBCS to a third party. Staff explained that the proceeds from the sale would be used to offset the expense of the write-off. Staff noted that the net amount of the write-off accounted for only a small fraction, approximately 1.02% of the total Sales for Resale, of the

overall power supply costs during the deferral period. Further, Idaho customers' share, approximately \$814,231, as part of the PCA calculation is considerably less than that.

Staff recited the amount requested by Avista for deferral recovery, \$10,761,381, and noted that the Company had previously been granted Commission approval to recover interest on that amount and true-up amounts that have been over- or under-recovered. Staff then added the interest on the deferral activity balance (\$77,175) and true-up (\$383,225) for a total unrecovered balance of \$11,221,781 as of June 30, 2009.

Finally, Staff calculated that the current PCA rate approved in Order No. 30856, effective August 1, 2009, will ultimately generate approximately \$14 million dollars during the 14-month period ending October 1, 2010. The resulting \$2.8 million difference between the revenue generated by the current rate and the deferral balance could then be used to offset the amortization shortfall that will occur in August and September 2009 due to the early decrease in the PCA rate. The resulting under-recovery is estimated to be approximately \$2.6 million. If the aforementioned estimates are accurate, then Avista will have over-recovered by approximately \$0.2 million. This amount would be returned to Idaho customers in a future rate proceeding. Thus, Staff believes that the current PCA rate is reasonable and appropriate and supports its continuation along with the recovery of the requested \$10,761,381 deferral balance.

#### **PUBLIC COMMENTS**

On August 28, 2009, the Commission received handwritten comments from a Boise, Idaho resident objecting to Avista's Application on the grounds that it would lead to a "rate raise."

#### **COMMISSION FINDINGS**

The Commission has reviewed the filings of record, including Avista's Application, written testimony, Staff's review and public comments, in Case No. AVU-E-09-07. We find that the Company's request to recover power costs deferred for the period of July 1, 2008 through June 30, 2009, and maintain the decrease in the Company's annual PCA rate, previously approved in Commission Order No. 30856, to be reasonable. The Commission accepts the \$10,761,381 deferral balance, audited by Commission Staff, and presented in the Company's filing.

The Commission recognizes the concerns expressed in the public comments filed in this case and reiterates Avista's and Staff's assertion that this filing will not result in an increase

to customer rates. Furthermore, the Commission is satisfied that Avista has acted appropriately in its efforts to mitigate the potential effect of power supply costs on its customers.

### **CONCLUSIONS OF LAW**

The Idaho Public Utilities Commission has jurisdiction over Avista Corporation dba Avista Utilities, an electric utility, pursuant to Title 61 of the Idaho Code and the Commission's Rules of Procedure, IDAPA 31.01.01.000 *et seq.*

### **ORDER**

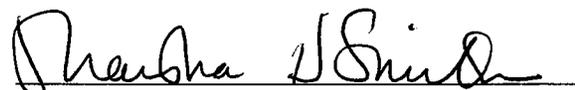
IT IS HEREBY ORDERED that Avista Corporation dba Avista Utilities' Application requesting Commission approval to recover \$10,761,381 for power costs deferred by the Company for the period of July 1, 2008 through June 30, 2009 is approved. The Company is directed to file conforming tariffs.

IT IS FURTHER ORDERED that the PCA rate of 0.344¢ per kilowatt-hour, previously approved in Commission Order No. 30856 and effective August 1, 2009, shall continue until Avista's next annual PCA filing due on October 1, 2010.

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. 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 7<sup>th</sup>  
day of October 2009.

  
JIM D. KEMPTON, PRESIDENT

  
MARSHA H. SMITH, COMMISSIONER

  
MACK A. REDFORD, COMMISSIONER

ATTEST:

  
Jean D. Jewell  
Commission Secretary

O:AVU-E-09-07\_np