

## DECISION MEMORANDUM

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

**FROM:** NEIL PRICE  
DEPUTY ATTORNEY GENERAL

**DATE:** AUGUST 21, 2009

**SUBJECT:** AVISTA CORPORATION'S ANNUAL POWER COST ADJUSTMENT  
(PCA) FILING; CASE NO. AVU-E-09-07

On July 30, 2009, Avista Corporation (“Avista” or “Company”) 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.

### 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.*

#### *A. Background*

“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.*

#### *July 1, 2008 Through June 30, 2009 Deferral Period*

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. . . .” Direct Testimony of William G. Johnson 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.” Direct Testimony of Ronald L. McKenzie 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 its Application through Modified Procedure. *Id.* at 4.

#### COMMISSION DECISION

Does the Commission wish to process Avista’s PCA filing through Modified Procedure?



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Deputy Attorney General

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