

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

<b>IN THE MATTER OF THE APPLICATION</b>	)	
<b>OF AVISTA CORPORATION FOR</b>	)	<b>CASE NO. AVU-E-10-04</b>
<b>MODIFICATION OF ITS RESIDENTIAL</b>	)	
<b>AND FARM ENERGY RATE</b>	)	
<b>ADJUSTMENT.</b>	)	<b>ORDER NO. 32100</b>
	)	

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On September 15, 2010, Avista filed an Application with the Commission seeking authority to revise its Schedule 59, Residential and Farm Energy Rate Adjustment. Under the Residential Exchange Program (REP) embodied in Section 5(c) of the Northwest Power Act, the benefits of the federal hydropower system in the Pacific Northwest are to be shared with the residential and small farm customers of eligible investor-owned utilities such as Avista. 16 U.S.C. § 839c(c). The REP benefits take the form of rate credits and are reflected in Schedule 59. In this filing, the Company proposes an adjustment of the REP credit from the currently approved 0.289¢ per kWh to 0.147¢ per kWh. The Company requested that its Application be processed by Modified Procedure with the new REP credit to become effective November 1, 2010.

On October 5, 2010, the Commission issued a Notice of Application/Notice of Modified Procedure and set an October 21, 2010, comment deadline. Staff was the only party to file comments. With this Order the Commission authorizes an adjustment to the Schedule 59 rate credit from 0.289¢ per kWh to 0.147¢ per kWh.

**THE APPLICATION**

Avista's Application states that the current 0.289¢ per kWh REP credit was approved effective August 1, 2009. That rate credit resulted from a Settlement Agreement between Avista and the Bonneville Power Administration (BPA) executed in June 2009. The 2009 REP credit was based on two years of assumed payments from BPA for their 2009 and 2010 fiscal years, as well as an amount from settlement of an outstanding Deemer Account.

Avista maintains that the current rate credit was designed to pass through the total of the 2009 and 2010 benefits over a period of fifteen months, August 1, 2009 through October 31, 2010. The newly proposed REP rate credit of 0.147¢ per kWh would replace the current credit of 0.289¢ per kWh and is designed to pass through the amount of expected benefits from BPA

for the 2011 fiscal year over a refund period of twelve months, November 1, 2010 through October 31, 2011.

The proposed REP rate credit of 0.147¢ per kWh would apply to residential and small farm customers served under Schedules 1, 12, 22, 32, and 48. For a customer using 1,000 kWh per month, the proposed, lower rate credit would result in a monthly increase of \$1.42 per month, or 1.65%.

The Application states that the proposed rate credit will have no effect on Avista's net income. Under the Northwest Power Act, REP rate credits are "passed through" directly to the residential and small farm customers of Avista. 16 U.S.C. § 839c(c)(3). The proposed rate credit would, however, result in an increase of approximately \$1.7 million to Idaho electric revenue, since a lesser amount of benefits will be passed through to customers.

#### **THE STAFF COMMENTS**

The Company submitted workpapers supporting its calculation of the proposed 0.147¢/kWh REP credit. This filing reflects estimated payments for the 2011 fiscal year. The total benefit amount applicable to Idaho customers is approximately \$1.7 million. Staff believes the proposed credit amount of 0.147¢/kWh has been correctly computed by Avista. Therefore, Staff recommended that the Commission approve the new tariff rate of 0.147¢/kWh effective November 1, 2010 to timely "pass-through" the REP credits received from BPA for the benefit of Avista's eligible customers.

#### **DISCUSSION AND FINDINGS**

In the final Order issued in Case No. AVU-E-08-06, the Commission directed Staff and the Company to meet and resolve the issue of inclusion of uncollectibles and regulatory fees in the revenue conversion factor. Order No. 30672. Pursuant to the Commission's Order, Staff and the Company discussed what adjustments are appropriate for a "pass through" such as the REP credits. The parties agreed that the removal of regulatory fees, but not uncollectibles, from the revenue conversion factor was appropriate. Staff recommended, and the Commission approved, such treatment for Avista's 2009 Residential and Small Farm Energy Rate Adjustment. Tariff Advice No. 28.

After reviewing the Application and comments filed by Staff, we approve Avista's request to modify its Schedule 59, Residential and Farm Energy Rate Adjustment, from the currently approved 0.289¢ per kWh to 0.147¢ per kWh. We continue to find the inclusion of

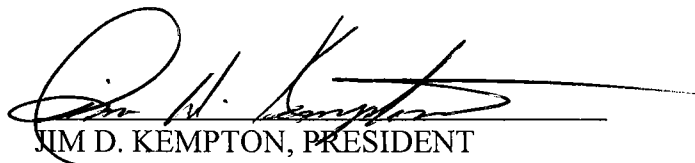
uncollectibles in the revenue conversion factor reasonable. The amount of expected benefits from BPA for the 2011 fiscal year is less than the benefits received last year. Consequently, the reduction in REP credits results in a higher monthly bill. The actual increase in monthly bills will vary based on customer usage.

### ORDER

IT IS HEREBY ORDERED that Avista's Application to modify its Residential and Farm Energy Rate Adjustment is approved. The Schedule 59 REP credit of 0.147¢ per kWh shall be effective November 1, 2010. The tariff sheets filed with the Company's Application are hereby approved.

THIS IS A FINAL ORDER. Any person interested in this Order (or in issues finally decided by 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.

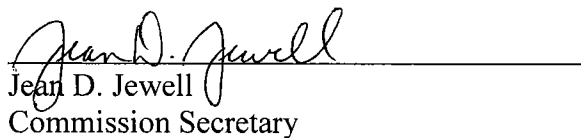
DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 27<sup>th</sup> day of October 2010.

  
JIM D. KEMPTON, PRESIDENT

  
MARSHA H. SMITH, COMMISSIONER

  
MACK A. REDFORD, COMMISSIONER

ATTEST:

  
Jean D. Jewell  
Commission Secretary

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