

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE POWER COST)	
ADJUSTMENT (PCA) ANNUAL RATE)	CASE NO. AVU-E-11-03
ADJUSTMENT FILING OF AVISTA)	
CORPORATION)	
)	ORDER NO. 32375
)	

On July 28, 2011, Avista Corporation filed its annual Power Cost Adjustment (PCA) Application. Avista requested an Order approving a PCA surcharge of 0.072¢/kWh for recovery of power costs deferred from July 1, 2010 through June 30, 2011. The Company asked that its Application be processed by Modified Procedure, and that its rates become effective October 1, 2011. Application at 1.

On August 18, 2011, the Commission issued a Notice of Application and Notice of Modified Procedure and set a September 21, 2011 comment deadline. Staff submitted comments recommending that the Commission approve the Application. Clearwater Paper Corporation intervened but filed no comments. No other comments were received in the case.

Having reviewed the Application and comments, the Commission approves a PCA surcharge of 0.072¢/kWh and recovery of deferred power costs totaling \$2,084,533 deferred for the period of July 1, 2010 through June 30, 2011. The Commission authorizes the new rates to become effective October 1, 2011.

THE APPLICATION

Avista's PCA mechanism is used to track changes in revenues and costs associated with variations in hydroelectric generation, secondary prices, thermal fuel costs, changes in power contract revenues and expenses, and other miscellaneous items. The proposed 0.072¢/kWh PCA surcharge will replace an existing 0.532¢/kWh surcharge, a decrease of 0.460¢/kWh, resulting in an average 5.99% decrease in Avista's revenues. The proposed surcharge is designed to recover power costs and corresponding accrued interest deferred by the Company for the period of July 1, 2010 through June 30, 2011, as well as the unrecovered balance related to the July 1, 2009 through June 30, 2010 deferral period, and interest during the recovery period of October 1, 2011 through September 30, 2012.

When calculating power supply expenses, the Company noted that above normal hydro generation decreased power supply expenses during the deferral period. However, the hydro-related cost decrease was offset by increases associated with the Lancaster plant's fixed costs, thermal fuel costs at Colstrip and Kettle Falls, and the effect of declining power prices. Lancaster fixed costs were only included in the PCA deferral balance during July, August and September 2010. Beginning October 1, 2010, they were included in base rates and are no longer included in PCA deferrals. Order No. 32070.

The proposed actual percentage decrease will vary by rate schedule as shown below.

Customer Group (Schedule)	Percentage Decrease
Residential (Schedule 1)	-5.19%
General Service (Schedules 11, 12)	-4.49%
Large General Service (Schedules 21, 22)	-5.73%
Extra Large General Service (Schedule 25)	-8.03%
Clearwater (Schedule 25P)	-8.80%
Pumping Service (Schedules 31, 32)	-5.26%
Street and Area Lights (Schedules 41-49)	-1.88%

Under the Company's proposal, an average residential customer using 956 kWh per month will experience a decrease in their monthly bill of \$4.40.

THE COMMENTS

Staff filed the only comments in this case. Staff commented as follows:

Audit Results

Staff reviewed and audited the amounts included in the deferral balance in the current filing. Staff's review covered expenses incurred from July 2010 through June 2011. The Company's PCA net deferral activity represents the Idaho jurisdictional share of the excess power costs and associated revenue adjustments deferred under the PCA mechanism by Avista for the 12 months ending June 30, 2011. The net deferral's primary component is the Net Increase in Power Supply Costs, FERC Accounts 555, 501, 547, and 447.

Along with the costs of serving load using Company-owned resources, these PCA accounts also include additional power purchase costs when market prices are lower than

generation costs. Generation costs associated with off-system sales are offset by the revenue from those sales. The proposed deferral amount, \$2,084,533, consists of the following 11 items:

1. FERC Account 555 - Purchased Power	\$47,730,276
2. FERC Account 501 - Thermal Fuel	-909,404
3. FERC Account 547 - CT Fuel	- 1,951,352
4. FERC Account 447 - Sales for Resale	- 42,719,798
5. All Clearwater Revenues and Expenses	- 5,886,403
6. Resource Optimization - Loss on Natural Gas Resold	1,694,158
7. Idaho Retail Revenue Adjustment	3,626,015
8. Net Transmission Revenue and Expense	-114,560
9. Federal Production Tax Credit	280,189
10. Lancaster Costs	315,247
11. Interest during deferral period	<u>20,165</u>
Total	\$2,084,533

Staff's comments explain each item in detail. The estimated unrecovered balance related to the July 1, 2009 through June 30, 2010 deferral period (which continues to be recovered with the existing PCA rate through the end of September) and the estimated interest during the recovery period of October 1, 2011 through September 30, 2012, amount to \$342,692. The proposed 0.072 ¢/kWh PCA surcharge is designed to recover \$2,427,225 – the total of the deferral balance and the estimates.

Based upon its review, Staff concluded that the accounting transactions appeared reasonable when made. Staff also determined that the PCA calculations and amounts were correct. Staff recommended that the Commission accept the audited deferral balance of \$2,084,533 for the period July 1, 2010 through June 30, 2011 and approve the amount for recovery. Staff also recommended the additional \$342,692 be reflected in the recovery rate. Staff further recommended that a PCA rate of 0.072¢/kWh be approved effective October 1, 2011.

FINDINGS AND CONCLUSIONS

Avista'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.

After reviewing the PCA Application and the comments filed in this case, the Commission accepts the audited deferral balance of \$2,084,533 and finds it fair, just and reasonable to approve a PCA surcharge of 0.072¢/kWh to be effective October 1, 2011.

ORDER

IT IS HEREBY ORDERED that the Avista Corporation's Application for authority to implement a PCA surcharge of 0.072¢/kWh and recovery of deferred power costs totaling \$2,084,533 deferred for the period of July 1, 2010 through June 30, 2011 is approved. The tariff sheets filed with the Company's Application are hereby approved, to be effective October 1, 2011.

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 30th day of September 2011.



PAUL KJELLANDER, PRESIDENT

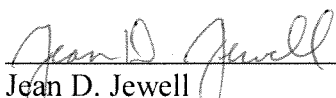


MACK A. REDFORD, COMMISSIONER



MARSHA H. SMITH, COMMISSIONER

ATTEST:



Jean D. Jewell
Commission Secretary

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