

# McDevitt & Miller LLP

Lawyers

RECEIVED

(208) 343-7500  
(208) 336-6912 (Fax)

420 W. Bannock Street  
P.O. Box 2564-8370  
Boise, Idaho 83702

2012 SEP 26 AM 11:00  
IDAHO PUBLIC  
UTILITIES COMMISSION

Chas. F. McDevitt  
Dean J. (Joe) Miller

September 26, 2012

*Via Hand Delivery*

Jean Jewell, Secretary  
Idaho Public Utilities Commission  
472 W. Washington St.  
Boise, Idaho 83720

**Re: Idaho Forest Group LLC**  
**Case No. AVU-E-12-06**

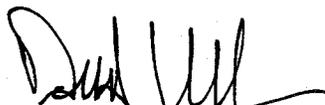
Dear Ms. Jewell:

Enclosed for filing in the above matter, please find an original and seven copies of the Reply Comments of Idaho Forrest Group LLC.

Kindly return a file stamped copy to me.

Very Truly Yours,

McDevitt & Miller LLP

  
Dean J. Miller

DJM/hh  
Enclosures

Dean J. Miller (ISB No. 1968)  
Chas. F. McDevitt (ISB No. 835)  
McDEVITT & MILLER LLP  
420 West Bannock Street  
P.O. Box 2564-83701  
Boise, ID 83702  
Tel: 208.343.7500  
Fax: 208.336.6912  
[joe@mcdevitt-miller.com](mailto:joe@mcdevitt-miller.com)

RECEIVED

2012 SEP 26 AM 11:00

IDAHO PUBLIC  
UTILITIES COMMISSION

Attorney for *Idaho Forest Group, LLC*.

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

IN THE MATTER OF AVISTA  
CORPORATION'S ANNUAL POWER COST  
ADJUSTMENT(PCA)

**Case No. AVU-E-12-06**

**REPLY COMMENTS AND OBJECTION  
OF IDAHO FOREST GROUP LLC**

COMES NOW Idaho Forest Group, LLC ("Idaho Forest"), by and through its attorney of record, and respectfully submits the following Reply Comments and Objection to the recommendation contained in the Comments of the Commission Staff, dated September 21, 2012, ("Staff Comments").

**INTRODUCTION**

As explained in previous Avista Corporation cases filed before the Commission, Idaho Forest Group owns and operates a lumber mill located in Grangeville, Idaho. That mill takes electric service under Avista's Schedule 25, Large General Service. Additionally, since the time of the last formal proceeding before the Commission, Idaho Forest acquired, and now operates, another lumber mill located at Lewiston, Idaho. That mill also takes service under Avista's Schedule 25, Large General Service.

Taking into account the combined operations of both mills, Idaho Forest consumes approximately 51.5 million kWh per year. At current rates, Idaho Forest estimates its annual expense for electric service is approximately \$3,000,000.

If Avista's proposed 0.090 cents per kWh PCA rebate credit (the "Rebate") is authorized to take effect, which Idaho Forest supports, Idaho Forest would realize an approximate \$7,000 per month reduction to its electric power expense.

### **THE STAFF COMMENTS AND RECOMMENDATION**

The Staff Comments first summarize the results of the Staff audit of the amounts included in the PCA deferral balance. Idaho Forest does not dispute the audit results and accepts them as correct. Accordingly, Idaho Forest agrees that 0.090 cents per kWh is an appropriate rate by which overpayments during the PCA deferral period would be rebated to customers.

Staff Comments then observe that Avista is likely to file a general rate case in October of 2012. Staff proposes holding back the rebate amount of \$3,098,539, (the "Over Collection Amount") believing that "...holding back the credit will improve rate stability in the long-run." (Staff Comments, Pg. 6). It is this portion of the Staff recommendation (the "Hold Back") to which Idaho Forest objects.

### **IDAHO FOREST OBJECTIONS**

Idaho Forest appreciates that rate stability—however that term is defined, which it is not in Staff Comments—is a legitimate concern in electric utility ratemaking. Avoidance of sudden, unexpected, rate swings is often desirable, all else being equal. But, it is just one rate making consideration, among many. In this case, however, Idaho Forest believes other considerations support approval of the proposed 0.090 per kWh Rebate. These considerations are outlined below:

**The Rebate is more efficient, compared to the Hold Back.**

During the deferral period, Avista customers paid PCA charges that resulted in the over collection noted by the Staff Comments. Returning the Over Collection Amount to customers now with the new PCA Tariff Schedule 66 to become effective on October 1, allows Avista's customers to recover already quantified overpayments in a more timely and efficient manner. These PCA related overpayments should not be buried in a general rate case or used as a rate case adjustment. Idaho Forest believes that it and all other Avista customers are entitled to an immediate adjustment to the PCA rather than waiting for these overpayments to show up at the conclusion of a general rate case. The Commission should let Avista's customers have the benefit of their overpayments now, which is more efficient and fair.

This is particularly true in the case of Idaho Forest Group. Operating in a highly competitive industry, having the benefit of any measure that reduces operating costs now is far more preferable than the possibility of some undetermined or undefined benefit in the future. Assuming Avista files a general rate case in October 2012, and assuming the statutorily allowed seven months are consumed to process the case, Idaho Forest would not see any benefits from its 2011-2012 overpayments until approximately May, 2013, if the Staff recommendation is accepted.

**It is not clear how the Hold Back would promote rate stability.**

The Staff Comments do not specify in any detail how the Hold Back amount would be used in furtherance of the rate stability goal. An obvious, and perhaps the only possibility is, that the Hold Back amount would be used to reduce the amount of any increase in revenue requirement. For example, a requested 9% increase would appear to customers to be a 6% increase or, what would happen if no increase in revenue requirement were approved? Using

dollars that should be returned to customers now to camouflage the magnitude of a future rate increase is not an appropriate application of the rate stability goal.

**The Hold Back is not consistent with Avista Schedule 66.**

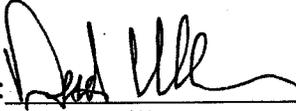
Avista's Schedule 66, Temporary Power Cost Adjustment provides, "This Rate Adjustment is designed to recover *or rebate* a portion of the difference between actual and allowed net power supply costs." (Emphasis added). To the knowledge of Idaho Forest, from the time the Avista PCA was approved by the Commission in 1989, (Case No. WWP-E-88-3, Order No. 22816) the Commission has never authorized use of an Over Collection Amount for any purpose other than a rebate, as authorized by Schedule 66. *See e.g.*, Case No. WWP-97-3, Order No. 26935.

**CONCLUSION**

For the reasons discussed herein, Idaho Forest respectfully requests that Avista's PCA Schedule 66, as originally proposed, be approved.

DATED this 26 day of September, 2012.

IDAHO FOREST GROUP LLC

By:   
\_\_\_\_\_  
Dean J. Miller  
Attorney for *Idaho Forest Group, LLC*.

**CERTIFICATE OF SERVICE**

I hereby certify that on the 26<sup>th</sup> day of September, 2012, I caused to be served, via the method(s) indicated below, true and correct copies of the foregoing document, upon:

Jean Jewell, Secretary  
Idaho Public Utilities Commission  
472 West Washington Street  
P.O. Box 83720  
Boise, ID 83720-0074  
jjewell@puc.state.id.us

Hand Delivered   
U.S. Mail   
Fax   
Fed. Express   
Email

Neil Price, Esq.  
Idaho Public Utilities Commission  
472 West Washington Street  
P.O. Box 83720  
Boise, ID 83720-0074  
Neil.Price@puc.idaho.gov

Hand Delivered   
U.S. Mail   
Fax   
Fed. Express   
Email

David J. Meyer, Vice President  
Kelly Norwood, Vice President  
Avisita Utilities  
P.O. Box 3727  
1411 E. Mission Ave  
Spokane, WA 99220-3727  
david.meyer@avistacorp.com  
kelly.norwood@avistacorp.com

Hand Delivered   
U.S. Mail   
Fax   
Fed. Express   
Email

BY: Heather Houck, Legal Ass.  
MCDEVITT & MILLER LLP