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Attorney for the Commission Staff

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

**IN THE MATTER OF THE APPLICATION OF )  
AVISTA CORPORATION FOR APPROVAL OF ) CASE NO. AVU-E-14-08  
AN ELECTRIC DISTRIBUTION SERVICE )  
AGREEMENT WITH EAST GREENACRES ) COMMENTS OF THE  
IRRIGATION DISTRICT. ) COMMISSION STAFF  
\_\_\_\_\_)**

COMES NOW the Staff of the Idaho Public Utilities Commission, by and through its Attorney of record, Daphne Huang, Deputy Attorney General, and in response to the Notice of Modified Procedure issued in Order No. 33106, submits the following comments.

**BACKGROUND**

On August 14, 2014, Avista Corporation ("Avista" or "Company") filed an Application with the Commission seeking approval of its Electric Distribution Service Agreement ("Agreement") with East Greenacres Irrigation District ("East Greenacres"). Greenacres operates and maintains two Bureau of Reclamation-built pumping facilities on the Rathdrum Prairie, providing irrigation and domestic water supply to approximately 5,300 acres of land. Application at 2. To operate the pumping facilities, Greenacres receives electric power from the Bureau of Reclamation which is delivered through Avista's transmission and distribution facilities. *Id.* at 2-3. Greenacres and Avista have entered into a second Agreement for transfer of Bureau of Reclamation energy over Avista's distribution facilities. *Id.* at 3. The Agreement

modifies an initial agreement approved by the Commission in April 2009, and that is set to expire October 1, 2014. Order No. 30784.

The parties executed the new Agreement on August 6, 2014, and have stipulated to an effective date of October 1, 2014, or such other date specified by the Commission. The Agreement does not contain a fixed termination date. The Agreement provides for the continued delivery of United States Bureau of Reclamation energy over Avista-owned and operated distribution facilities from Avista's Post Falls Substation to certain delivery points on the East Greenacres system.

Avista states in its Application that the distribution rate contained in the new Agreement is "consistent with distribution charges embedded in current Idaho retail rates." Application at 2.

The distribution rate set out in the Agreement provides that Greenacres pay Avista \$4,231.74 per month or \$50,780.88 per year to receive electric service over Avista's distribution system. Revenue received from the Agreement will help to offset Avista's fixed costs.

## **STAFF REVIEW**

In the previous East Greenacres' Distribution Services Agreement, Avista computed rates using a "Load Ratio Share" methodology based on the ratio of East Greenacres' annual energy consumption to Idaho's normalized annual energy consumption. In Order No. 30784 approving the previous Agreement, the Commission acknowledged Avista's energy-based methodology as well as the Company's efforts to develop a more appropriate 'demand-based methodology' for future electric distribution service agreements. The Commission encouraged the Company to develop a demand-based methodology. Consistent with this recommendation, the Company in this case has employed a demand-based methodology using East Greenacres' average share of 12 non-coincident monthly peaks (12NCP method). The 12NCP cost-allocation method is consistent with general methods used by the Company for allocating distribution costs among other customer classes.

East Greenacres' last Agreement excluded certain cost categories from its methodology including: customer service, information, and sales costs. Staff agrees with continuing exclusions because these costs are not relevant to the distribution facilities being used to deliver energy to East Greenacres. In this case, the Company also proposes excluding costs associated

with secondary distribution, because Avista provides no secondary distribution lines or transformers to East Greenacres. It is Staff's opinion that this exclusion is also appropriate.

Staff verified the values used in the rate calculation using Avista's 2012 Cost of Service Study (AVU-E-12-08). East Greenacres' 12NCP demand share is 0.00137799, and was computed using the ratio of East Greenacres' average 12-month peak load (850 kW) to the Idaho retail average 12-month peak load (615,990 kW). The basis used to compute East Greenacres' share of distribution costs is \$36,851,385, which was computed by subtracting customer service, information, and sales costs of \$4,578,320, and secondary distribution facility costs of \$16,722,216 from total Idaho Distribution costs of \$58,121,920. Multiplying the 12NCP demand share (0.0013779) by the distribution cost basis (\$36,851,385), yields an annual distribution service charge equal to \$50,781, or \$4,232 monthly. Staff believes the methodology used to compute East Greenacres' distribution service charge to be just and reasonable. Otherwise, the Terms and Conditions of this Agreement are identical to those of the previous agreement. Staff therefore recommends that the proposed Agreement be approved.

#### **STAFF RECOMMENDATION**

Staff recommends that the Commission approve the Electric Distribution Service Agreement without changes or condition, with an effective date of October 1, 2014.

Respectfully submitted this 17<sup>th</sup> day of September 2014.

  
\_\_\_\_\_  
Daphne Huang  
Deputy Attorney General

Technical Staff: Mike Morrison

i:umisc/comments/avue14.8djhmm comments

**CERTIFICATE OF SERVICE**

I HEREBY CERTIFY THAT I HAVE THIS 17<sup>TH</sup> DAY OF SEPTEMBER 2014, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF**, IN CASE NO. AVU-E-14-08, BY E-MAILING AND MAILING A COPY THEREOF, POSTAGE PREPAID, TO THE FOLLOWING:

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