

Avista Corp.  
1411 East Mission P.O. Box 3727  
Spokane, Washington 99220-3727  
Telephone 509-489-0500  
Toll Free 800-727-9170



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IDAHO PUBLIC  
UTILITIES COMMISSION

January 13, 2011

Ms. Jean D. Jewell, Secretary  
Idaho Public Utilities Commission  
P. O. Box 83720  
Boise, Idaho 83720-0074

Dear Ms. Jewell:

Re: Case No. GNR-E-10-03, Initial Comments of Avista Corporation

Enclosed are an original and seven copies of the Avista Corporation Initial Comments in the above referenced case.

If you have any questions, please contact Ron McKenzie at (509) 495-4320 or Bill Johnson at (509) 495-4046.

Sincerely,

A handwritten signature in cursive script that reads "Kelly Norwood".

Kelly Norwood  
Vice President State and Federal Regulation

Service List  
Enclosure  
RM

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IDAHO PUBLIC UTILITIES COMMISSION

1 David J. Meyer  
2 Vice President and Chief Counsel of  
3 Regulatory and Governmental Affairs  
4 Avista Corporation  
5 1411 E. Mission Avenue  
6 P. O. Box 3727  
7 Spokane, Washington 99220  
8 Phone: (509) 489-0500, Fax: (509) 495-8851

9 BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

10 IN THE MATTER OF THE COMMISSION'S )  
11 INQUIRY INTO LOAD GROWTH ) CASE NO. GNR-E-10-03  
12 ADJUSTMENTS THAT ARE PART OF )  
13 POWER COST ADJUSTMENT ) INITIAL COMMENTS OF  
14 MECHANISMS. ) AVISTA CORPORATION  
15

16 Avista Corporation, doing business as Avista Utilities (hereinafter Avista or Company),  
17 at 1411 East Mission Avenue, Spokane, Washington, respectfully files its Comments in the  
18 above referenced case.

19 **BACKGROUND**

20 On November 24, 2010 the Commission issued Order No. 32124 in the above referenced  
21 case. The case is to proceed under Modified Procedure with initial comments due no later than  
22 January 14, 2011, and with responsive comments due no later than January 28, 2011. The Order  
23 took notice of Avista's compromise proposal offered at the September 28, 2010 workshop as a  
24 revision of current methodology. The proposal maintains symmetry in growing and declining  
25 load scenarios and substantially reduces the rate applied to the change in retail load. The  
26 proposal would calculate the load growth adjustment rate (LGAR) based upon the energy  
27 classified portion of embedded production revenue requirement as established in the cost of  
28 service for each utility. The LGAR would not include demand related costs. The proposal  
29 eliminates the argument that the LGAR operates as a decoupling mechanism in periods when

1 loads decline. Avista believes that the terminology should be changed from “Load Growth  
2 Adjustment Rate (LGAR)” to “Load Change Adjustment Rate (LCAR),” as the rate is applicable  
3 when loads grow or decline. Avista will use LCAR throughout the remainder of its comments.

#### 4 **WHAT IS THE APPROPRIATE LOAD CHANGE ADJUSTMENT RATE?**

5 Avista has proposed a LCAR based upon the energy classified portion of embedded  
6 production revenue requirement as established in the cost of service study in the most recent rate  
7 case for each utility. The LCAR would not include demand related costs. The proposal  
8 eliminates the argument that the LCAR operates as a decoupling mechanism in periods when  
9 loads decline. If energy costs turn out to be higher or lower than the amount of energy costs  
10 embedded in rates, then the difference in energy costs, including the impact of the LCAR, is  
11 tracked through the PCA. The Company takes the risk of demand costs being higher or lower  
12 than the amount of those costs embedded in rates. Demand costs would be trued-up in a general  
13 rate case or some other proceeding.

#### 14 **NEED FOR SYMMETRY IN GROWING AND DECLINING LOADS**

15 Symmetry is needed in applying the same LCAR when loads increase or decline. In a  
16 given twelve-month period retail loads could be higher than authorized in some months, and  
17 lower than authorized in other months with the change in load for the twelve-month period being  
18 higher, lower, or the same as authorized loads. Not applying a consistent LCAR in every month  
19 would produce inequitable results for the company and its customers.

20 When retail loads are higher than authorized loads, there is a higher power supply  
21 expense to serve the increase in load that is included in Avista’s Power Cost Adjustment (PCA).  
22 In Avista’s PCA its retail revenue credit, or LCAR, is applied to the increase in load to take into  
23 account that there is an increase in retail revenue to correspond with the increase in power supply

1 expense. Absent the LCAR adjustment, customers would be overcharged through the PCA for  
2 the increase in power supply expense.

3 Likewise, when retail loads are lower than authorized loads, there is a lower net power  
4 supply expense to serve the decrease in load that is included in the PCA. Avista's retail revenue  
5 credit, or LCAR, is applied to the decrease in load to take into account that there is a decrease in  
6 retail revenue that corresponds with the decrease in power supply expense. Absent the LCAR  
7 adjustment, customers would receive an undo benefit through the PCA, since the net reduction in  
8 power supply expense is directly related to a reduction in retail revenue.

9 **WHEN SHOULD THE CHANGE IN THE LCAR BE IMPLEMENTED?**

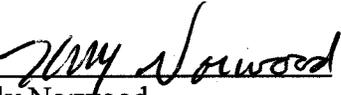
10 The rate that Avista is currently using for its retail revenue credit is \$48.00 per megawatt-  
11 hour, which includes both demand and energy costs, as established in the cost of service in its  
12 last general rate case, AVU-E-10-01. Avista's energy portion of embedded production revenue  
13 requirement as established in the same case is \$30.16 per megawatt-hour, or just over 3¢ per  
14 kilowatt-hour.

15 An energy-based LCAR should only be applied prospectively. Avista proposes that the  
16 \$30.16 per megawatt-hour LCAR become effective on July 1, 2011, which is the start of the next  
17 twelve-month deferral period for Avista's PCA, unless a general rate case is decided before then.  
18 If a general rate case is filed and approved prior to July 1, 2011, then the new LCAR established  
19 in that case would be effective when rates are made effective from the general rate case. The  
20 LCAR, as well as the base level of loads and power supply costs that apply to PCA calculations,  
21 would be updated in general rate cases, as they occur, or in some separate proceeding.

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Dated at Spokane, Washington this 13<sup>th</sup> day of January 2011.

AVISTA CORPORATION

BY   
Kelly Norwood  
Vice President  
State and Federal Regulation

VERIFICATION

STATE OF WASHINGTON )

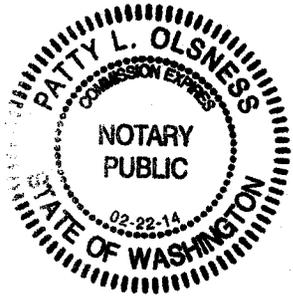
County of Spokane )

Kelly Norwood, being first duly sworn on oath, deposes and says: That he is the Vice President of State and Federal Regulation of Avista Utilities and makes this verification for and on behalf of Avista Corporation, being thereto duly authorized;

That he has read the foregoing filing, knows the contents thereof, and believes the same to be true.

Kelly Norwood

SIGNED AND SWORN to before me this 13<sup>th</sup> day of January 2011, by Kelly Norwood.



Patty Olsness  
NOTARY PUBLIC in and for the State of Washington, residing at Spokane.

Commission Expires: 2-22-14

CERTIFICATE OF SERVICE

**I HEREBY CERTIFY** that I have served Avista Corporation's Comments in GNR-E-10-03, by mailing a copy to the following:

Commission Secretary  
Jean D. Jewell  
472 W. Washington Street  
Boise, ID 83702-5918

Mike Youngblood  
Idaho Power Company  
PO Box 70  
Boise, ID 83707-0070

Donovan E. Walker  
Lisa D. Nordstrom  
Idaho Power Company  
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Mark C. Moench  
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Rocky Mountain Power  
201 S. Main Street, Suite 2300  
Salt Lake City, UT 84111

Ted Weston  
Rocky Mountain Power  
201 S. Main Street, Suite 2300  
Salt Lake City, UT 84111

Dated at Spokane, Washington this 13th day of January 2011.

  
\_\_\_\_\_  
Patty Olsnes, Rates Coordinator