DECISION MEMORANDUM

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WORKING FILE

FROM:SCOTT WOODBURY

DATE:JANUARY 13, 1999

RE:CASE NO. WWP-E-98-12 (AVISTA CORPORATION)

ELECTRIC PCA REBATE ($3,093,000 OR 2.66%)

On December 15, 1998, The Washington Water Power Company (now Avista Corporation; Company) in Case No. WWP-E-98-12 filed an Application with the Idaho Public Utilities Commission (Commission) proposing a revision to the Company’s electric tariff Schedule 66—temporary Power Cost Adjustment—Idaho.  On January 12, 1999, the Company filed a substitute tariff Schedule 66 Sheet eliminating Sandpoint schedules,  More Options for Power Service (MOPS) schedules and Direct Access Delivery Service (DADS) schedules and adding MOPS II schedules.

Avista requests that the Commission approve a $3,093,000, 2.66% rebate to Avista’s Idaho customers.  The rebate is being requested as a result of the “trigger” being reached and exceeded in Avista’s Power Cost Adjustment (PCA) balancing account.  The Company’s PCA mechanism was first established in Case No. WWP-E-88-3, Order No. 22816 issued October 31, 1989, and has been expended, modified and clarified in a number of subsequent cases (WWP-E-93-3, Order No. 24874; WWP-E-94-4, Order No. 25637; WWP-E-97-10, Order No. 27202; and WWP-E-98-4, Order No. 27824).  Since its inception to date of filing, there have been seven rebates totaling $17,678,000 and three surcharges totaling $6,769,000.  The PCA-related rate changes are limited to no more than two consecutive surcharges or rebates during any 12-month period, July 1 to June 30, and the annual rate change during any 12-month period is limited to 5%.

Avista’s PCA is used to track changes in revenues and costs associated with variations in hydroelectric generation, prices in the secondary market, and changes in power contract revenues and expenses.  The PCA rate adjustment mechanism is designed to recover/rebate variances in power supply expenses incurred by the Company.  The PCA mechanism tracks changes in the Company’s power supply costs associated with abnormal weather and stream flows.  The weather-related portion of the PCA tracks 100% of the variation in hydro generation from the hydro generation authorized, variation in secondary prices from those authorized, and the related variation in thermal generation.  The PCA is also designed to recover contract costs incurred pursuant to the Public Utility Regulatory Policies Act of 1978 (PURPA) and the related implementing rules and regulations of the Federal Energy Regulatory Commission (FERC) beyond the level included in the Company’s general revenue requirement.  PURPA contract costs are the result of the Company’s federally mandated obligation to purchase the output of qualifying small power and cogeneration facilities and, therefore, are largely outside the control of Avista.  The PCA tracks 100% of the changes in costs associated with PURPA contracts.  The Company is allowed to record the difference between actual power supply costs and the level of those costs authorized by the Commission.  When the total difference in costs exceed $2.2 million, the Company may request authority to implement a surcharge or rebate.

As reflected in the Company’s Application, the $2.2 million trigger was reached and exceeded in August 1998, based on actual data from the preceding month, July.  In Case No. WWP-E-98-10 the Company filed a request to suspend the required filing of a revised PCA tariff until the Commission made its decision in Case No. WWP-E-98-4 to modify or terminate the PCA.  On October 19, 1998, the Commission issued Order No. 27775 approving the Company’s request to suspend the $3,093,000 rebate.  On December 4, 1998, the Commission issued Order No. 27824 in Case No. WWP-E-98-4 modifying the PCA and directing the Company to file the rebate within 30 days.

Under the Company’s proposal in this case, the monthly energy charges of the individual electric rate schedules are to be decreased by the following amounts:

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| --- | --- | --- |
| Type of Service | Present  Sch 66 Rebate  Effective 6/1/98; Expires 5/31/99  (2.727%) | Proposed  Sch 66 Rebate  (2.660%) |
| Schedules 1, 3A-D & 15  (Residential)  Schedules 11, 12, 13A-D & 16  (General)  Schedules 17, 21, 22, &  23 A-D  (Large General)  Schedule 25  (Extra Large General)  Schedules 18, 31, 32, &  33 A-D  (Pumping) | 0.114¢/kWh  0.164¢/kWh  0.112¢/kWh  0.073¢/kWh  0.134¢/kWh | 0.127¢/kWh  0.189¢/kWh  0.132¢/kWh  0.082¢/kWh  0.135¢/kWh |

Flat rate charges for Company-owned or customer-owned street lighting and area lighting service (Schedules 41-49) under the present rebate are reduced by 2.427% and under the proposed rebate will be reduced by a further 2.660%.  Implementation of the proposed rebate will result in an overall decrease of 2.660% in the Company’s Idaho electric rates or $1.27 in the monthly bill of an average residential customer using 1,000 kWh.  The combined effect of both the existing and proposed rebates is an overall decrease of 5.387%, or $2.41 in the monthly bill of an average residential customer using 1,000 kWh.  The existing rebate, however, will expire on May 31, 1999.

Avista has requested that its rebate be effective February 1, 1999 and expire January 31, 2000.  The Company, as part of its Application, has filed supporting testimony and exhibits.

On December 22, 1998, the Commission issued Notices of Application and Modified Procedure in Case No. WWP-E-98-12.  The deadline for filing written comments was January 15, 1999.  The Commission Staff was the only party to file comments (attached).  Staff recommends approval of the Company’s Application as revised on January 12, 1999.  Staff concurs with the proposed effective date of February 1, 1999.

Commission Decision

Does the Commission find the proposed $3,093,000 (2.66%) Schedule 66 rebate and February 1, 1999, implementation date to be reasonable?  If not, what is the Commission’s preference?

Scott Woodbury

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