

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF)	
AVISTA CORPORATION DBA AVISTA)	CASE NO. AVU-E-00-2
UTILITIES—WASHINGTON WATER POWER)	
DIVISION FOR AUTHORITY TO REVISE)	
ELECTRIC TARIFF SCHEDULE 66—TEMPO-)	
RARY POWER COST ADJUSTMENT—IDAHO)	ORDER NO. 28402
AND TO IMPLEMENT A RELATED REBATE.)	
)	

On March 1, 2000, Avista Corporation dba Avista Utilities—Washington Water Power Division (Avista; Company) in Case No. AVU-E-00-2 filed an Application with the Idaho Public Utilities Commission (Commission) proposing a revision to the Company's electric tariff Schedule 66C temporary Power Cost Adjustment Idaho. Avista requests that the Commission approve a \$2,364,000, 1.973% 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.

POWER COST ADJUSTMENT—BACKGROUND

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 extended, 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 eight rebates totaling \$20,820,000 and three surcharges totaling \$6,769,000. An existing rebate, in the amount of \$2,766,000 expires July 31, 2000. Reference Case No. AVU-E-99-05, Order No. 28137.

Water Power'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 PURPA power 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 Utilities Regulatory Policies Act of 1978 (PURPA) 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 Company is allowed to record the difference between actual power supply costs and the level of power supply costs authorized by the Commission. When the total difference in costs exceed \$2.2 million, the Company is to notify the Commission and initiate a surcharge or rebate proceeding. 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%.

PROPOSED \$2,364,000 OR 1.973% REBATE

As reflected in the Company's Application, the \$2.2 million trigger was reached and exceeded in December 1999, based on actual data from the preceding month, November.

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:

Type of Service	Present Sch 66 Rebate Effective 8/1/99; Expires 7/31/00 (2.503%)	Proposed Sch 66 Rebate (1.973%)
Schedules 1, 3A-D, & 15 (Residential)	0.115¢/kWh	0.101¢/kWh
Schedules 11, 12, 13A-D, & 16 (General)	0.153¢/kWh	0.137¢/kWh
Schedules 17, 21, 22, & 23A-D (Large General)	0.114¢/kWh	0.095¢/kWh
Schedule 25 (Extra Large General)	0.077¢/kWh	0.065¢/kWh
Schedules 18, 31, 32, & 33A-D (Pumping)	0.107¢/kWh	0.081¢/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 2.503% and under the proposed rebate will be reduced by a further 1.973%. Implementation of the proposed rebate will result in an overall decrease of 1.973% in the Company's Idaho electric rates or \$1.01 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 4.476%, or \$2.16 in the monthly bill of an average residential customer using 1,000 kWh. The existing rebate, however, will expire on July 31, 2000.

Avista requested that its Application be processed under Modified Procedure, i.e., by written submission rather than by hearing. Reference Commission Rules of Procedure, IDAPA 31.01.01.201-204. The Company, as part of its Application, has filed supporting testimony and exhibits.

MODIFIED PROCEDURE—COMMENTS

On March 15, 2000, the Commission issued Notices of Application and Modified Procedure in Case No. AVU-E-00-2. The deadline for filing written comments was April 5, 2000. Commission Staff was the only party to file comments. Also filed by the Company during the comment period was a March 23, 2000, letter requesting deferral of the proposed PCA rebate effective date from May 1, 2000 (the date requested in the Application) to August 1, 2000. The later date, the Company contends, would coincide with the expiration of the existing rebate. August 1 is also the date of a previously authorized cost-of-service rate adjustment. Reference Case No. AVU-E-98-11, Order No. 28097.

Staff in its comments recommends that the Company's Rathdrum turbine be included as a resource in the PCA. In Case No. WWP-E-98-11, Order No. 28097, the Commission, Staff notes, reset the Company's normalized base power supply costs. If Rathdrum, Staff contends, is not included as a resource in the PCA, then ratepayers pay the normalized costs of the turbine in base rates but are denied the cost savings of including it in the PCA calculation. This, Staff contends, is an unacceptable mismatch that disadvantages ratepayers.

Apart from PCA methodology treatment of the Company's Rathdrum turbine, which issue in this Order we move to a separate docket, Staff discovered no irregularities in its audit of the Company's PCA account, monthly reports, workpapers or supporting documents.

In its comments Staff points out that the Company's notice to customers in this case was once again deficient. Reference Utility Customer Information Rule 102, IDAPA 31.21.02.102 Notice to Customers of Proposed Changes in Rates. Staff reminds the Company that according to the Utility Customer Information Rules, any application that changes rates can be returned as incomplete if the customer notice is not included.

COMMISSION ORDER NO. 28366 AND COMPANY REQUEST FOR RECONSIDERATION

On May 2, 2000, the Commission issued interlocutory Order No. 28366 approving the Company's request to defer the implementation date for the rebate from May 1, 2000 to August 1, 2000. The Commission's Order indicated that interest on the deferred balance should accrue during the three-month deferral period. The Commission required further information regarding Rathdrum before ruling on the Company's underlying Application.

On May 15, 2000, Avista filed a Petition with the Commission requesting reconsideration of Order No. 28366. The Company's request for reconsideration is related to the guidance in the Order regarding possible adjustments to the components included in the PCA mechanism:

Specifically, we would like the Company and Staff to present additional information to the Commission prior to June 30, 2000, regarding the suggested methods for including Rathdrum as a PCA resource (dispatch versus actual), the calculated economic benefits/costs to ratepayers/ Company of including Rathdrum in the PCA methodology since the base was updated (the five-month period included in the Company's PCA filing) and for the present accrual period.

By way of further guidance the Commission informed the parties that it does not consider the present docket to be an appropriate forum for considering additional adjustments to the PCA methodology, i.e., Kettle Falls or Centralia. The Commission believes that any such adjustments should be presented in a separate Application to modify the PCA methodology. (added)

Order No. 28366, p. 5.

The Company requests that the Commission in this docket consider modifications to the PCA related to the issue of limited fuel supply for Centralia and Kettle Falls. In support of its request, the Company states:

The manner in which both Centralia and Kettle Falls have been included in the PCA to date has resulted in more benefits being flowed through to customers than were actually available from these projects. This is due to fuel supply limitations at both projects. Analyses show that the absence of benefits from Rathdrum in the PCA has been largely offset by overstated benefits related to Centralia and Kettle Falls. Details of these analyses would be provided to the Commission prior to June 30, 2000.

While the Company would agree that the dispatchable operation of Rathdrum should be evaluated for inclusion in the PCA, the dispatchable operation of Centralia and Kettle Falls should also be evaluated, especially since Centralia is no longer a part of the Company's resource base. (Effective at midnight on May 4, 2000, the ownership and operation of the Company's share of Centralia (201 MW) was transferred to TECWA Power, Inc.)

COMMISSION FINDINGS

The Commission has reviewed and considered the filings of record in Case No. AVU-E-00-2 including the comments of the Commission Staff, the Commission's Interlocutory Order No. 28366 and the Company's Petition requesting reconsideration.

The Commission continues to find that the issues presented are suitable for processing under Modified Procedure, i.e., by written submission rather than by hearing. Reference IDAPA 31.01.01.204.

The Commission is informed by Staff that the Company is agreeable to resolving all PCA methodology related issues involving Rathdrum, Kettle Falls and Centralia in a separate proceeding. The Commission finds this proposed procedure to be reasonable and establishes a separate docket for consideration of same, i.e., Case No. AVU-E-00-06. Regarding Rathdrum in the instant case, we note that the Commission Staff and the Company have differing positions as to when or at what point in time a PCA methodology related adjustment for Rathdrum should begin. That issue and any dollar adjustment for past time periods with respect to Rathdrum will be taken up in the new docket and will be reflected in the PCA deferral balancing account. No further filings are required in this docket.

The Commission finds the PCA rebate (\$2,364,000) and related revisions to Tariff Schedule 66 to be reasonable for effective implementation date of August 1, 2000. As reflected in our prior Order No. 28366, we also find it reasonable that interest accrue on that amount for the three-month implementation deferral period. The three-month delay is beyond the normal processing time for PCA trackers. The interest rate should be the rate currently authorized for customer deposits, i.e., 5% for the year 2000 (reference ON 28234). The accrued interest should be added to the Company's PCA deferral balancing account.

The Company, we are informed, assures Staff that its failure to comply with customer notice provisions was an oversight. We caution the Company that repeated instances of oversights will demonstrate an unacceptable pattern of neglect. Our customer information rules are no less a requirement for Avista than our statutes and orders.

CONCLUSIONS OF LAW

The Idaho Public Utilities Commission has jurisdiction over this matter and Avista Corporation dba Avista Utilities—Washington Water Power Division, an electric utility, pursuant to the authority and power granted under Title 61 of the Idaho Code and the Commission's Rules of Procedure, IDAPA 31.01.01.000 *et seq.*

ORDER

In consideration of the foregoing and as more particularly described and qualified above, IT IS HEREBY ORDERED and the Commission does hereby approve and authorize Avista Corporation dba Avista Utilities—Washington Water Power Division to implement a \$2,364,000, 1.973% rebate to refund amounts accumulated in its Power Cost Adjustment (PCA) balancing account through proposed amended Tariff Schedule 66—Temporary Power Cost Adjustment—Idaho for an August 1, 2000 effective date, and to expire one year from said date.

IT IS FURTHER ORDERED, as more particularly described above, that interest accrue on the \$2,364,000 rebate amount for the three-month implementation deferral period (May, June, July) and that the interest be added to the Company's PCA deferral balancing account.

IT IS FURTHER ORDERED and the Commission Secretary is directed to open a new docket, AVU-E-00-6, to examine proposed changes and adjustments, as more particularly

described above, to the Power Cost Adjustment methodology (PCA) of Avista Corporation dba Avista Utilities—Washington Water Power Division (Idaho).

THIS IS A FINAL ORDER. Any person interested in this Order (or in issues finally decided by this Order) or in interlocutory Orders previously issued in this Case No. AVU-E-00-2 may petition for reconsideration within twenty-one (21) days of the service date of this Order with regard to any matter decided in this order or in interlocutory Orders previously issued in this Case No. AVU-E-00-2. 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 day of June 2000.

DENNIS S. HANSEN, PRESIDENT

MARSHA H. SMITH, COMMISSIONER

PAUL KJELLANDER, COMMISSIONER

ATTEST:

Myrna J. Walters
Commission Secretary

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