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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)	COMMENTS OF THE
ELECTRIC TARIFF SCHEDULE 66 -)	COMMISSION STAFF
TEMPORARY POWER COST ADJUSTMENT -)	
IDAHO AND TO IMPLEMENT A RELATED)	
REBATE.)	
)	
)	

COMES NOW the Staff of the Idaho Public Utilities Commission, by and through its Attorney of record, Scott Woodbury, Deputy Attorney General, and in response to the Notice of Application, Notice of Modified Procedure and Notice of Comment/Protest Deadline issued on March 15, 2000, submits the following comments.

On March 1, 2000, Avista Utilities (Avista; Company) 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. The filing has been assigned Case No. AVU-E-00-2. 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. The rebate amount accumulated in the five-month period July through November 1999.

HISTORY OF REBATES AND SURCHARGES

Since the implementation of the PCA, the Commission has approved 8 rebates (totaling \$20,820,000) and 3 surcharges (totaling \$6,769,000). An existing rebate, in the amount of \$2,766,000, expires July 31, 2000. Reference Case No. AVU-E-99-5, Order No. 28137.

EXAMINATION OF CURRENT COMPANY FILING

The examination by Staff of the current Company filing included an audit of the months of July 1999 through November 1999. The monthly reports filed by the Company with this Commission, as well as the workpapers and supporting documents, were examined in detail. The Company supplied Staff with the workpapers and supporting documents for the PCA reports for the Months of August 1999 through January 2000. These reports reflect, on a one-month lag, the activities for the months of July 1999 through December 1999. The reports were sufficient to verify the accuracy and the legitimacy of the amounts included in the PCA balancing account. Staff found the amount of the balancing account to be correct.

Change in PCA Base Power Supply Costs

In the Company's most recent general rate case, Case No. WWP-E-98-11, Order No. 28097, normalized base power supply costs were reset using projected costs for the period July 1999 - June 2000. The final Order in that case was issued on July 29, 1999, with an effective date of August 1, 1999. Although the month of July 1999 was included in the base power supply expenses upon which current rates are based, the Order actually approving those rates was not issued until late in July. The Company averaged the old and new bases in its calculation of the PCA deferral for the month of July, resulting in a \$445,500 deferral for that month. The Staff does not take exception to this approach.

Rathdrum Turbine

However, there remains an unsettled issue with respect to the Rathdrum turbine. In Case No. WWP-E-94-4, Order No. 25637, the Company requested that the actual cost and revenue from the operation of the turbine be included in the PCA. The Commission rejected the request, stating:

For the first time Water Power seeks to include costs related to CTs in its PCA. We reject that request, at this time. By their nature, CTs are relatively lower capital cost and higher fuel cost resources than either hydro or coal-fired resources. Allowing CT fuel costs to be included in the PCA, therefore, presents the potential for a shifting of risk from shareholders to ratepayers in comparison to other resources. Until we know more about the reality or

magnitude of this potential risk re-allocation, we find that it is appropriate to exclude CT costs from Water Power's PCA. The Company is free to present this issue for our consideration in another proceeding where a more complete record can be developed. Ref. Order No. 25637.

Since that time, base power supply costs have been updated as previously discussed. The normalized cost of the Rathdrum turbine including the fixed cost purchase contract, the fuel costs, the purchased power costs and offsetting secondary sales revenues, are all being paid for by ratepayers in their base rates. If Rathdrum 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 saving benefits of including it in the PCA calculation. The inclusion and use of Rathdrum as a resource in the PCA, always, under every circumstance, accrues benefits to ratepayers because Rathdrum is not run unless it can be sold at a profit or unless it is less expensive to operate than any other available resource to meet load. Staff believes that to have Rathdrum in the base, and therefore in base rates, but not in the PCA, creates an unacceptable mismatch that disadvantages ratepayers. Put simply, ratepayers do not get what they are paying for.

The Company and Commission Staff have discussed two ways of including Rathdrum as a resource in the PCA. Rathdrum could be included as a "dispatched" resource using fuel costs and other characteristics established in the base case. If Rathdrum were to be included in this way, Staff calculates the Idaho ratepayer benefit over the five-month period included in the Company's PCA filing would be \$1,354,000. The Company believes that if Rathdrum is included in the PCA it should be included on an actual fuel cost and actual revenue basis due largely to the fluctuations in natural gas prices that affect when the unit can economically be operated. Including Rathdrum on an "actual" basis would also benefit ratepayers. This calculation is not currently available but will be provided in supplemental comments when it becomes available. It is expected to be less than the \$1,354,000 ratepayer benefit calculated under the "dispatch" option.

It is Staff's understanding that the Company is opposed to including Rathdrum on either a "dispatched" or "actual" basis for past periods, but would be willing to include the unit on an "actual" basis going forward. Once again, it is Staff's position that Rathdrum needs to be included in the PCA for all months since the base was updated. Staff will take a position on the "dispatched" or "actual" options when the analysis is complete.

EFFECTIVE DATE AND INTEREST ON DEFERRED BALANCE

The Company's initial March 1, 2000 Application requested an effective date of May 1, 2000. However, in a subsequent filing on March 24, 2000, the Company requested that the proposed effective date be changed to August 1, 2000 to coincide with two or three other rate changes ordered by the Commission. These rate changes include the expiration of the existing rebate on July 31, 2000, and the August 1, 2000 cost of service rate adjustment, pursuant to Order No. 28097 in Case No. AVU-E-98-11, the Company's last general rate case. The rate reduction from the sale of Centralia power plant, Case No. AVU-E-99-6, could also be implemented on August 1, 2000 providing the sale closes and the final decision on reconsideration has been issued. Staff concurs with the Company's request to delay rebate implementation for three months but recommends that interest accrue for this period. The PCA, by Commission Order No. 22816, Case No. WWP-E-88-3, normally does not accrue interest on the deferred amount awaiting rebate or surcharge. The assumption in the Order was that rebates and surcharges would be processed using the same procedures in approximately equal amounts of time causing interest benefits to be offsetting. The three-month delay beyond the normal processing time for the proposed rebate is not a normal process and to be fair the deferred balance should accrue interest to the benefit of ratepayers. Staff proposes that the interest rate be the rate currently authorized for customer deposits, 5% for the year 2000, Order No. 28234. This is consistent with previous Commission Orders dealing with deferred balances for the Company and other electric companies in Idaho.

CONSUMER ASSISTANCE DIVISION COMMENTS

When Avista filed their Application in this Case No. AVU-E-00-2 on March 1, 2000, the required "customer notice" for billing statements was not included. The customer notice that was subsequently faxed to the Commission on March 10, 2000 at the Consumer Assistance Division's request, states, "A 1.97% Power Cost Adjustment rebate has been filed to be effective on 5/1/00." The information was to be placed in the customer message box for a complete billing cycle beginning with meter readings on March 3, 2000. The notice is deficient. The notice neglects to inform customers that the requested change in rates was filed with the Idaho Public Utilities Commission. Nothing is mentioned about the proposal being subject to public review and a Commission decision. The notice does not inform the customer where a copy of the Application can be reviewed by the public. Neither the press release nor the separate notice posted in Avista offices inform the public where a copy of the Application can be reviewed.

Rule No. 102, (IDAPA 31.21.02.102) Notices to Customers of Proposed Changes in Rates in the Utility Customer Information Rules, requires the utility to give each customer a statement or notice announcing the utility's Application. The rule specifies the information that needs to be contained in the notice. **Any** rate change requires individual customer notice and Avista should be directed to include **all** of the required information in the customer notice. Although it is possible to print messages on the bill itself in the customer message box, if more space is required, a stuffer should be included with the invoice to the Avista customers. The notice may be provided prior to, at the same time as, or immediately following the filing.

Staff notes that Avista has previously acknowledged that individual customer notices have not been provided for PCA rate adjustments. Notice of rate filings is provided to give customers ample time to comment. Notice of rate changes related to end of rebate or surcharge periods is provided to give customers notice of a rate change. Consumer Staff has had to request a copy of the customer notice on more than one occasion, e.g., Case Nos. WWP-E-98-11, AVU-E-99-5 and AVU-E-00-2. Avista should note 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.

Consumer Staff suggests that the Company for customer notice of PCA rate filings utilize the following example or something similar.

Avista Corporation has applied for a _____ % overall increase/decrease in rates with the Idaho Public Utilities Commission. The total increase/decrease is for \$ _____. (If the proposed change is an increase, the proposed percentage of increase in revenue should be included for the major customer classes). The increase/decrease is the result of a Power Cost Adjustment (PCA) that reflects significant changes in _____. All PCA rebates and surcharges last for a period of twelve months. This Application is a proposal subject to public review and Commission decision. A copy of the Application is available for public review at both the office of the Idaho Public Utilities Commission and the Idaho offices of Avista Corporation.

SUMMARY OF STAFF RECOMMENDATIONS

Staff has verified that the "actuals" as booked by the Company and carried into the Company's exhibits are correct. Staff also verified that the correct "authorized" numbers were carried in the PCA exhibits and that all calculations were done correctly for the proposed rebate of \$2,364,000. Staff recommends that the rebate be effective August 1, 2000 with interest accrued during the three-month delay. Staff recommends that the Rathdrum turbine be included as a PCA resource either on a

“dispatched” or “actual” basis for all months since base power supply costs were updated to avoid a PCA mismatch that disadvantages ratepayers. Any difference caused by including Rathdrum as a resource in the PCA calculation should not be added to the proposed rebate but should be deferred to the balancing account. Finally, Staff recommends Avista be required to provide proper notice to customers of all rate changes.

Dated at Boise, Idaho, this day of April 2000.

Scott Woodbury
Deputy Attorney General

Technical Staff: Keith Hessing
Nancy Harman
Kathy Stockton

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