

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

**IN THE MATTER OF THE APPLICATION OF)
AVISTA CORPORATION FOR A) CASE NO. AVU-E-02-7
MODIFICATION TO THE RESIDENTIAL AND)
SMALL FARM ENERGY RATE ADJUSTMENT) NOTICE OF APPLICATION
CREDIT.)
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) NOTICE OF MODIFIED
) PROCEDURE
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) NOTICE OF COMMENT
) DEADLINE
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) ORDER NO. 29111**

On August 30, 2002, Avista Corporation (Avista) filed an Application seeking modification of the Energy Rate Adjustment Credit, which passes through the estimated benefits of the Residential Exchange Settlement Agreement between Avista and the Bonneville Power Administration (BPA) to qualifying electric residential and small farm customers. In this Order the Commission processes this filing under Modified Procedure and establishes a written comment deadline.

THE APPLICATION

YOU ARE HEREBY NOTIFIED that the Northwest Regional Power Act establishes a Residential Exchange Program to provide benefits to residential and small farm consumers of Pacific Northwest utilities. The Settlement Agreement between Avista and BPA settles the Parties' rights and obligations for the Residential Exchange Program for the ten-year term of the Agreement, October 1, 2001 through September 30, 2011. Under the Settlement Agreement, Avista received rights to 90 average megawatts (aMW) of benefits from the federal hydropower system beginning October 1, 2001. Avista receives the 90 aMW in the form of both monetary and firm power sale benefits that are expected to total \$3,310,988.

YOU ARE FURTHER NOTIFIED that Avista receives 42 aMW (29 aMW Washington, 13 aMW Idaho) of the 90 aMW of benefits in the form of a monthly monetary payment. The amount of the payment is determined by taking the difference between BPA's

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Forward Flat-Block Price Forecast (\$38/MWh) and the residential load base rate at 100 percent load factor (\$19.71/MWh) multiplied by the annual amount of energy. The energy amount of the monetary benefit is fixed for the first five years of the contract, October 2001 through September 2006. The Application states that BPA shall, no later than October 1, 2005, notify Avista of the amount of monetary benefit expressed in annual aMW, for which payments will be made to Avista during the period October 2006 through September 2011.

YOU ARE FURTHER NOTIFIED that the Settlement Agreement gives Avista 48 aMW (33 aMW Washington, 15 aMW Idaho) of firm power benefits. In September 2001, Avista elected to terminate the Firm Power Sale Agreement and convert it to monetary benefit for the first five years.

YOU ARE FURTHER NOTIFIED that the benefits credited to customers are different than the actual benefits received from BPA under the Settlement Agreement due to differences in actual and estimated retail loads. Also, BPA has a Cost Recovery Adjustment Clause (CRAC) that has three components: "load-based" CRAC, "financial-based" CRAC, and "safety-net" CRAC. The initial 42 aMW of monetary benefit is subject only to the safety-net CRAC component. If the safety-net component is triggered, the amount of benefit received from BPA is reduced. Furthermore, BPA has determined that a terminated Firm Power Sale Agreement converted to monetary benefit (as Avista has done) is subject to all three CRAC components. Avista proposes a true-up adjustment in its filing to true-up the difference between the benefits credited to customers and the actual benefits received from BPA during the first contract year, October 1, 2002 through September 30, 2002.

YOU ARE FURTHER NOTIFIED that Avista proposes the Energy Rate Adjustment Credit resulting from the Settlement Agreement be increased from 0.337¢ per kilowatt-hour (kWh) to 0.347¢/kWh effective October 12, 2002. The proposed rate credit of 0.347¢/kWh is based on estimated benefits for the second contract year of the ten-year Agreement, which covers the period October 1, 2002 through September 30, 2003, as well as an estimated true-up for the first contract year.

YOU ARE FURTHER NOTIFIED that Avista proposes to pass through the estimated second contract year benefit and first contract year true-up amounts on a uniform cents per kilowatt-hour basis to all qualifying customers served under Schedules 1, 12, 22, 32, and 48.

When factoring this modified credit into customer rates, the bill of residential customers using 1,000 kWh per month would decrease by 5.54%, or \$3.47 per month. The percentage decrease for a customer using 600 kWh per month would be 5.62%, or \$2.08 per month. The decrease for a customer using 1,400 kWh per month would be 5.50%, or \$4.86 per month. Avista proposes an effective date of October 12, 2002, which is 12 months from the date that the rate credit was initiated on October 12, 2001.

YOU ARE FURTHER NOTIFIED that the Commission has jurisdiction over this matter and Avista Corporation, 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.* Avista provides electric service to approximately 100,000 customers in northern Idaho.

NOTICE OF MODIFIED PROCEDURE

YOU ARE FURTHER NOTIFIED that the Commission has reviewed the filings of record in Case No. AVU-E-02-7. The Commission has preliminarily determined that the public interest may not require a hearing to consider the issues presented in this case, and that the issues raised by Avista's filing may be processed under Modified Procedure, i.e., by written submissions rather than by an evidentiary hearing. Reference Commission Rules of Procedure, IDAPA 31.01.01.201-204. In so doing, the Commission notes that Modified Procedure and written comment have proven to be an effective means for obtaining public input and participation.

YOU ARE FURTHER NOTIFIED that the Commission will not hold a hearing in this proceeding unless it receives written protests or comments opposing the use of Modified Procedure and stating why Modified Procedure should not be used. Reference IDAPA 31.01.01.203.

YOU ARE FURTHER NOTIFIED that if no protests or comments are received within the deadline, the Commission may consider the matter and enter its Order without a hearing. If protests or comments are filed within the deadline, the Commission will consider them and may set the matter for hearing or may decide the matter and issue its Order on the basis of the written positions before it. Reference IDAPA 31.01.01.204.

NOTICE OF COMMENT DEADLINE

YOU ARE FURTHER NOTIFIED that the **deadline for filing written comments or protests** with respect to the Application and the use of Modified Procedure in Case No. AVU-E-02-7 is **Monday, September 30, 2002**. Reference IDAPA 31.01.01.202.02. Persons desiring a hearing must specifically request a hearing in their written protests or comments.

YOU ARE FURTHER NOTIFIED that written comments concerning this Application must be mailed to the Idaho Public Utilities Commission and Avista Corporation at the following addresses:

Commission Secretary
Idaho Public Utilities Commission
PO Box 83720
Boise, ID 83720-0074

Street Address for Express Mail:

472 W. Washington Street
Boise, ID 83702-5983

Kelly O. Norwood
David J. Meyer
Avista Corporation
1411 E. Mission Avenue
PO Box 3727
Spokane, WA 99220
Email: kelly.norwood@avistacorp.com
dmeyer@avistacorp.com

These comments should contain the case caption and case number shown on the first page of this document. Persons desiring to submit comments via e-mail may do so by accessing the Commission's home page located at www.puc.state.id.us under the "File Room" icon. Once at the "File Room" page, select "File a Comment," fill in the case number as it appears on the front of this document, and enter your comments. These comments must also be sent to the Applicant at the e-mail addresses listed above.


YOU ARE FURTHER NOTIFIED that the Application in Case No. AVU-E-02-7 together with accompanying exhibits and workpapers can be reviewed at the Commission's office and at the principal office of Avista Corporation during regular business hours. Avista Corporation is located at 1411 E. Mission Avenue in Spokane, Washington. In addition, the Application and testimonies (excluding exhibits) are available on the Commission's Website at www.puc.state.id.us under the "File Room" icon.

ORDER

In consideration of the foregoing and as more particularly described above, IT IS HEREBY ORDERED that the foregoing scheduling be adopted.

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DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 9th
day of September 2002.



PAUL KJELLANDER, PRESIDENT




MARSHA H. SMITH, COMMISSIONER



DENNIS S. HANSEN, COMMISSIONER

ATTEST:



Jean D. Jewell
Commission Secretary

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