

DECISION MEMORANDUM

**TO: COMMISSIONER KJELLANDER
COMMISSIONER SMITH
COMMISSIONER HANSEN
COMMISSION SECRETARY
COMMISSION STAFF
LEGAL**

FROM: SCOTT WOODBURY

DATE: AUGUST 21, 2006

**SUBJECT: CASE NO. AVU-E-06-5 (Avista)
REQUEST FOR CONTINUATION OF EXISTING 2.448%
PCA SURCHARGE**

On August 15, 2006, Avista Corporation dba Avista Utilities (Avista; Company) filed an Application with the Idaho Public Utilities Commission (Commission) for an Order approving continuation of the existing 2.448% PCA surcharge and authorizing recovery of power costs deferred through June 30, 2006. Avista's Application serves as a PCA Status Report for the 12 months ended June 30, 2006 and complies with the Commission's direction in Avista PCA Order No. 29881, Case No. AVU-E-05-6.

The Company in its filing identifies the power cost deferrals during the July 1, 2005 through June 30, 2006 review period, and explains the primary factors causing the PCA deferrals. The unrecovered deferral balance at June 30, 2005 was \$5,935,324. The unrecovered balance at June 30, 2006 is \$1,517,103. While the annual amount of revenue under the existing surcharge of approximately \$4.3 million is greater than unrecovered surcharge balance at June 30, 2006, the Company contends the unrecovered surcharge balance is expected to grow. Richard Storro, Director of Power Supply, in testimony filed with the Application explains the reasons that actual power costs are expected to exceed authorized power costs and what the effect is forecasted to be on the deferral balance. At July 31, 2006, the deferral balance had grown to \$3.2 million. In all likelihood, the Company estimates that the deferral balance by the end of August 2006 will be higher than the annual surcharge revenue level of \$4.3 million. With the existing surcharge remaining in place, the deferral balance is expected to approximate \$8.7

million at the end of the year. However, should conditions turn out to be more favorable than expected, resulting in the deferral balance reaching zero at some point, Avista will make a filing to either zero-out the surcharge rates, or to continue or modify the rates depending upon actual and expected power supply conditions at the time. Should the surcharge rates not be modified prior to filing the next PCA Status Report covering the July 2006 through June 2007 12 month period, the surcharge rates will be reviewed as a part of that filing.

COMMISSION DECISION

Avista has filed a PCA Status Report for the 12 months ending June 30, 2006 and recommends continuation of the existing 2.448% PCA surcharge. Avista recommends that its Application be processed pursuant to Modified Procedure, i.e., by written submission rather than by hearing. Reference Commission Rules of Procedure, IDAPA 31.01.01.201-204. Staff concurs in the Company's proposed procedure for processing its Application. Does the Commission agree that Modified Procedure is appropriate?

Scott Woodbury

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