

Avista Corp.
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Corp.

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September 13, 2006

IDAHO PUBLIC
UTILITIES COMMISSION

Ms. Jean D. Jewell, Secretary
Idaho Public Utilities Commission
472 W. Washington St.
Boise, ID 83720

AVU-E-06-08

Dear Ms. Jewell:

Tariff I.P.U.C. No. 28, Electric Service
Temporary Rate Adjustment Schedule 65

Enclosed for filing with the Commission is an original and seven copies of the following tariff sheet:

First Revision Sheet 65 Canceling Original Sheet 65

The proposed tariff sheet eliminates or zeros-out the temporary rate adjustment rate credits that have been used to pass through the customer portion of the gain on the sale of the Centralia Power Plant. The proposed effective date is November 1, 2006. The Company expects that the customer portion of the gain on the sale of the Centralia Power Plant will be fully refunded to customers by November 1, 2006. Elimination of the rate credit will result in an overall annual increase in Idaho electric revenue of approximately \$2.5 million or 1.45% and will affect all electric customers. The elimination of the rate credit will have no effect on Avista's net income.

A residential customer using 1,000 kilowatt-hours per month will see an increase of \$0.91 or 1.45% in their monthly bill due to the elimination of the temporary Centralia gain rate credit. In a separate filing the Company is proposing, also effective November 1, 2006, to increase the rate credit applicable to residential and small farm customers to pass through increased residential exchange benefits it will receive from the Bonneville Power Administration. That filing will result in a proposed decrease of \$0.47 or 0.75% per month for a residential customer using 1,000 kilowatt-hours per month. The net increase to a residential customer using 1,000 kilowatt-hours per month from the elimination of the temporary Centralia gain rate credit and the increase in the residential and small farm exchange credit amounts to \$0.44 or 0.70%.

Enclosed are copies of the existing tariff Schedule 65 with the old rates crossed out and with the proposed zero-rates underlined, an Application that provides information supporting the proposed tariff, a notice to customers that will be posted in the Company's offices and included as an insert in customer bills, a copy of a press release, and a set of workpapers. If you have any questions regarding this filing, please contact Ron McKenzie at (509) 495-4320.

Sincerely,

Kelly Norwood
Vice President State and Federal Regulation
RM
Enclosures

AVISTA CORPORATION
d/b/a Avista Utilities

SCHEDULE 65

TEMPORARY RATE ADJUSTMENT - IDAHO

AVAILABLE:

To Customers in the State of Idaho where the Company has electric service available. This Temporary Rate Adjustment shall be applicable to all retail customers for charges for electric energy sold and to the flat rate charges for Company-owned or Customer-owned Street Lighting and Area Lighting Service. This Temporary Rate Adjustment is designed to pass through the customer portion of the gain on the sale of the Centralia Power Plant.

MONTHLY RATE:

The energy charges for the individual rate schedules are to be decreased by the following amounts:

Schedule 1	0.000¢
Schedule 11 & 12	0.000¢
Schedule 21 & 22	0.000¢
Schedule 25	0.000¢
Schedule 31 & 32	0.000¢

Flat rate charges for Company-owned or Customer-owned Street Lighting and Area Lighting Service (Schedules 41-49) are to be decreased by 0.000%.

SPECIAL TERMS AND CONDITIONS:

Service under this schedule is subject to the Rules and Regulations contained in this tariff.

The above Rate is subject to increases as set forth in Tax Adjustment Schedule 58.

Issued September 13, 2006

Effective November 1, 2006

Issued by Avista Utilities
By



Kelly Norwood – Vice President, State and Federal Regulation

AVISTA CORPORATION
d/b/a Avista Utilities

SCHEDULE 65

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MONTHLY RATE:

The energy charges for the individual rate schedules are to be decreased by the following amounts:

Schedule 1	0.091¢	<u>0.000¢</u>
Schedule 11 & 12	0.124¢	<u>0.000¢</u>
Schedule 21 & 22	0.085¢	<u>0.000¢</u>
Schedule 25	0.059¢	<u>0.000¢</u>
Schedule 31 & 32	0.073¢	<u>0.000¢</u>

Flat rate charges for Company-owned or Customer-owned Street Lighting and Area Lighting Service (Schedules 41-49) are to be decreased by ~~1.777%~~
0.000%

SPECIAL TERMS AND CONDITIONS:

Service under this schedule is subject to the Rules and Regulations contained in this tariff.

The above Rate is subject to increases as set forth in Tax Adjustment Schedule 58.

Issued July 7, 2000

Effective August 1, 2000

Issued by Avista Utilities
By

Thomas D. Dukich, Manager, Rates & Tariff Administration

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David J. Meyer
Vice President and Chief Counsel of
Regulatory and Governmental Affairs
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IDAHO PUBLIC
UTILITIES COMMISSION

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF)
AVISTA CORPORATION FOR ELIMINATION OF) CASE NO. AVU-E-06-08
THE TEMPORARY RATE ADJUSTMENT TO) APPLICATION OF
PASS THROUGH THE CENTRALIA GAIN) AVISTA CORPORATION

I. INTRODUCTION

Avista Corporation doing business as Avista Utilities (hereinafter Avista or Company), at 1411 East Mission Avenue, Spokane, Washington, respectfully requests that the Commission approve the elimination of the temporary rate adjustment rate credits that have been used to pass through the customer portion of the gain on the sale of the Centralia Power Plant. Temporary Rate Adjustment Schedule 65 is the tariff sheet that contains the rate credits currently in effect. The Company is proposing that the Schedule 65 rate credits be eliminated, or zeroed-out effective November 1, 2006. The Company expects that the customer portion of the gain on the sale of the Centralia Power Plant will be fully refunded to customers by November 1, 2006. Elimination of the rate credit will result in an overall annual increase in Idaho electric revenue of approximately \$2.5 million or 1.45% and will affect all electric customers. In a separate filing the Company is proposing, also effective November 1, 2006, to increase the rate credit applicable to residential and

1 small farm customers to pass through increased residential exchange benefits it will receive from the
2 Bonneville Power Administration. The increase in the residential exchange rate credit amounts to a
3 decrease of approximately 0.75%, which, for residential and small farm customers, will partially
4 offset the increase caused by eliminating the Centralia gain credit.

5 The Company requests that this filing be processed under the Commission's Modified
6 Procedure rules.

7 Communications in reference to this Application should be addressed to:

8 Kelly O. Norwood
9 Vice President
10 State and Federal Regulation
11 Avista Corporation
12 1411 E. Mission Avenue
13 Spokane, Washington 99220
14 Phone: (509) 495-4267
15 Fax: (509) 495-8851
16

David J. Meyer
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Regulatory and Governmental Affairs
Avista Corporation
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II. BACKGROUND

17 The Commission approved the sale of the Company's interest in the Centralia Power Plant in
18 Order No. 28297 dated March 7, 2000 in Case No. AVU-E-99-6. The customer portion of the gain
19 was deferred and was originally to be passed on to customers over an eight-year period. Potlatch's
20 Lewiston facility was exempted from receiving any portion of the gain as the facility was served
21 under a special service contract. The Centralia gain rate credits contained on Original Sheet 65 were
22 effective August 1, 2000. Beginning January 1, 2002 Potlatch began receiving service under
23 Schedule 25 – Extra Large General Service and began receiving and has continued to receive the
24 Centralia gain credit applicable to Schedule 25 of 0.059¢ per kilowatt-hour.

25 The Commission approved the sale of the Company's interest in the Skookumchuck
26 hydroelectric generation facility, which is operated to supply cooling water to the Centralia Power

1 Plant, in Order No. 29484 dated April 28, 2004 in Case No. AVU-E-04-2. As proposed by the
2 Company and approved by the Commission, the customer portion of the gain on the sale of
3 Skookumchuck was deferred and added to the deferred gain on the Centralia Power Plant.

4 The customer portion of the net of tax Centralia gain amounted to approximately \$7,507,000
5 and the customer portion of the net of tax Skookumchuck gain amounted to approximately \$154,000.

6 The Company expects that the total amount of the net of tax gains of approximately \$7,661,000, and
7 the benefit of a carrying cost on the unamortized gains, will have been passed on to customers at the
8 end of October 2006. With a termination date of November 1, 2006, the Centralia gain credits will
9 have been in place for a period of six years and three months, which is shorter than the original eight-
10 year pass-through period. The shorter pass-through period is due primarily to having Potlatch
11 receive the gain credit applicable to Schedule 25 beginning January 1, 2002. In addition, customer
12 loads have grown since the gain credits were made effective on August 1, 2000, also resulting in a
13 shorter pass-through period.

14 There will be a small under-refunded or over-refunded balance when the Centralia gain
15 credits are terminated on November 1, 2006. Based on forecasted loads for September and October
16 2006, the result will be an over-refund of approximately \$18,000 before tax, \$12,000 net of tax. The
17 Company proposes that any under-refunded or over-refunded balance be transferred to the deferred
18 Power Cost Adjustment (PCA) deferral account as well as the remaining balance of associated
19 deferred federal income tax being transferred to the PCA deferred tax account.

20 **III. IMPACT OF ELIMINATING TEMPORARY RATE CREDITS**

21 The Company proposes that the Centralia gain temporary rate credits be eliminated effective
22 November 1, 2006. The elimination of the temporary rate credits results in an overall increase in

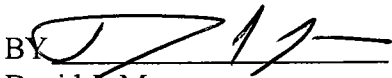
1 annual revenue of approximately \$2.5 million. Elimination of the temporary rate credits will have no
2 effect on Avista's net income. A residential customer using 1,000 kilowatt-hours per month will see
3 an increase of \$0.91 or 1.45% in their monthly bill due to the elimination of the temporary rate
4 credit. The proposed simultaneous increase to the rate credit applicable to residential and small farm
5 customers to pass through increased residential exchange benefits it will receive from the Bonneville
6 Power Administration will amount to a decrease of \$0.47 or 0.75% per month for a residential
7 customer using 1,000 kilowatt-hours per month. The net increase to a residential customer using
8 1,000 kilowatt-hours per month from the elimination of the Centralia credit and the increase in the
9 residential and small farm exchange credit amounts to \$0.44 or 0.70%.

10 IV. REQUEST FOR RELIEF

11 The Company respectfully requests an order from the Commission approving the elimination
12 or zeroing-out of the Centralia gain rate credits contained on Temporary Rate Adjustment Schedule
13 65, effective November 1, 2006. Any under-refunded or over-refunded balance of the Centralia gain
14 would be transferred to the PCA deferral account and PCA deferred tax account. The Company
15 requests that this filing be processed under the Commission's Modified Procedure rules. Due to the
16 straightforward nature of the filing, the Company does not believe that a hearing is required.

17 Dated at Spokane, Washington this 13th day of September 2006.

18
19 AVISTA CORPORATION

20
21 BY 
22 David J. Meyer
23 Vice President and Chief Counsel of
24 Regulatory and Governmental Affairs
25

