

SCOTT WOODBURY  
DEPUTY ATTORNEY GENERAL  
IDAHO PUBLIC UTILITIES COMMISSION  
PO BOX 83720  
BOISE, IDAHO 83720-0074  
(208) 334-0320  
IDAHO BAR NO. 1895

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Street Address for Express Mail:  
472 W. WASHINGTON  
BOISE, IDAHO 83702-5983

Attorney for the Commission Staff

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

**IN THE MATTER OF THE APPLICATION )  
OF AVISTA CORPORATION FOR ) CASE NO. AVU-E-06-8  
ELIMINATION OF THE TEMPORARY )  
RATE ADJUSTMENT TO PASS THROUGH ) COMMENTS OF THE  
THE CENTRALIA GAIN. ) COMMISSION STAFF  
)  
)  
\_\_\_\_\_ )**

**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 on Comment Deadline issued on September 28, 2006, submits the following comments.

**BACKGROUND**

On September 14, 2006, Avista Corporation dba Avista Utilities (Avista; Company) filed an Application with the Idaho Public Utilities Commission (Commission) requesting to eliminate or zero-out the temporary rate adjustment credits (Tariff Schedule 65) 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. Energy charges for the individual rate schedules are to be increased by the following amounts:

Schedule 1	0.091¢
Schedule 11 and 12	0.124¢
Schedule 21 and 22	0.085¢
Schedule 25	0.059¢
Schedule 31 and 32	0.073¢

Flat rate charges for Street and Area Lighting Service (Schedules 41-49) are to be increased by 1.777%.

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

The Commission in 2004 approved the sale of the Company's interest in the Skookumchuck hydroelectric generation facility, which is operated to supply cooling water to the Centralia Power Plant. Reference Order No. 29484, Case No. AVU-E-04-2. As proposed by the Company and approved by the Commission, the customer portion of the gain on the sale of Skookumchuck was deferred and added to the deferred gain on the Centralia Power Plant.

The customer portion of the net of tax Centralia gain amounted to approximately \$7,507,000 and the customer portion of the net of tax Skookumchuck gain amounted to approximately \$154,000. The Company expects that the total amount of the net of tax gains of approximately \$7,661,000, and the benefit of a carrying cost on the unamortized gains, will have been passed on to customers at the end of October 2006. The shorter pass-through period is due primarily to having Potlatch receive the gain credit applicable to Schedule 25 beginning January 1, 2002. In addition, customer loads have grown since the gain credits were made

effective on August 1, 2000, also resulting in a shorter pass-through period. The Company proposes that any under-refunded or over-refunded balance on November 1, 2006 be transferred to the deferred Power Cost Adjustment (PCA) deferral account as well as the remaining balance of associated deferred federal income tax being transferred to the PCA deferred tax account.

Avista proposes that the Centralia gain temporary rate credits be eliminated effective November 1, 2006. Elimination of the temporary rate credits will result in an overall increase in annual revenue of approximately \$2.5 million. 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 rate credit.

### **STAFF ANALYSIS**

Staff had the opportunity to perform an on-site audit of the journal entries associated with the Centralia gain credit. The calculation of the monthly Centralia gain credit was properly calculated and accounted for.

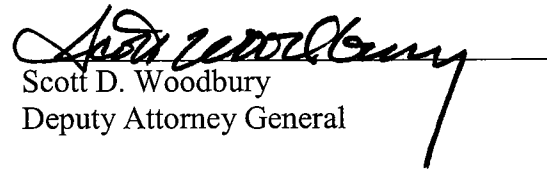
The Company estimates that the balance will be an over-refund of approximately \$18,000 before tax, \$12,000 net of tax by the November 1 effective date. The estimate is based on forecasted loads for September and October 2006.

Staff accepts the Company proposal that any under-refunded or over-refunded balance on November 1, 2006 be transferred to the deferred PCA deferral account as well as the remaining balance of associated deferred federal income tax being transferred to the PCA deferred tax account. Staff will have an opportunity to audit the remaining balance at the time of the next PCA. Staff recommends that the Company include the Centralia gain credit as a line item in the PCA deferral account.

### **RECOMMENDATION**

Staff concurs in the Company's proposal to eliminate or zero-out the temporary Centralia (Skookumchuck) Tariff Schedule 65 rate adjustment credit for a November 1, 2006 effective date. Staff recommends that any under-refunded or over-refunded balance on November 1, 2006 be transferred to the deferred PCA deferral account. Staff further recommends that the Company include the Centralia gain credit balance as a line item in the PCA deferral account.

Respectfully submitted this 19<sup>th</sup> day of October 2006.

  
Scott D. Woodbury  
Deputy Attorney General

Technical Staff: Kathy Stockton

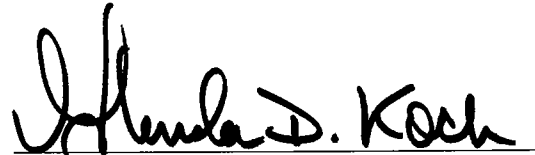
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## CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 19TH DAY OF OCTOBER 2006, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF**, IN CASE NO. AVU-E-06-8, BY E-MAILING A COPY THEREOF AND BY MAILING A COPY THEREOF, POSTAGE PREPAID, TO THE FOLLOWING:

DAVID J. MEYER  
SR VP AND GENERAL COUNSEL  
AVISTA CORPORATION  
1411 E MISSION AVE, MSC-13  
SPOKANE WA 99220  
E-mail [dmeyer@avistacorp.com](mailto:dmeyer@avistacorp.com)

KELLY NORWOOD  
VICE PRESIDENT – STATE & FED. REG.  
AVISTA UTILITIES  
1411 E MISSION AVE, MSC-13  
SPOKANE WA 99220  
E-mail [Kelly.norwood@avistacorp.com](mailto:Kelly.norwood@avistacorp.com)

  
SECRETARY