

Avista Corp.
1411 East Mission P.O. Box 3727
Spokane, Washington 99220-0500
Telephone 509-489-0500
Toll Free 800-727-9170



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IDAHO PUBLIC
UTILITIES COMMISSION

VIA OVERNIGHT MAIL

July 30, 2007

State of Idaho
Idaho Public Utilities Commission
472 W. Washington St.
Boise, ID 83702-5983

Attention: Ms. Jean Jewell, Secretary

Case No. AVU-E-07-07
Power Cost Adjustment (PCA) Annual
Rate Adjustment Filing of Avista Corporation

Enclosed is Avista's Power Cost Adjustment (PCA) annual rate adjustment filing. The filing consists of an original and seven copies of Avista's Application and nine copies of prefiled testimony and exhibits. Also enclosed are three copies of supporting workpapers and documentation, including Monthly PCA reports for the months of July 2006 through June 2007. Also enclosed is a certificate of service, three copies of a customer notice, and three copies of a press release.

The Company is requesting that the Commission issue an order approving recovery of power costs deferred through June 30, 2007, and approving a PCA surcharge of 0.267¢ per kilowatt-hour to be effective October 1, 2007. The proposed surcharge will replace the existing surcharge, which expires on September 30, 2007. The proposed surcharge is about \$9.6 million, which is approximately \$4.6 million more than the existing surcharge of about \$5.0 million. The requested revenue increase of \$4.6 million results in an overall 2.22 percent increase. The actual percentage increase for an individual customer will depend on the rate schedule that the customer receives service under and on how much energy a customer uses.

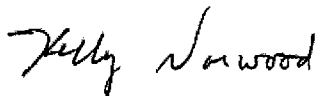
Under the Company's proposal, the surcharge rate for residential customers will increase from 0.163¢ per kilowatt-hour to 0.267¢ per kilowatt-hour, or an increase of 0.104¢ per kilowatt-hour. For an average residential customer using 1,000 kilowatt-hours per month, the monthly increase will be \$1.04. Under present rates, a residential bill for 1,000 kilowatt-hours amounts to \$69.38. With the proposed surcharge in place the monthly bill would be \$70.42, or about 1.5% higher than the bill under present rates.

Please note that Avista has deemed certain supporting documents to be classified as CONFIDENTIAL, rendering these documents exempt from public inspection, examination and copying pursuant to Sections 9-340A through 9-340F of the Idaho Code. Avista believes that the identified CONFIDENTIAL supporting documents contain valuable commercial information. As such, Avista is submitting a separate electronic CD containing the electronic form of the CONFIDENTIAL supporting documents, in compliance with Idaho rule 67.01.b. Please adhere

to Avista's request by treating those supporting documents identified as CONFIDENTIAL by not disclosing to any party outside of this proceeding without the specific written permission of Avista.

Please direct any questions regarding this filing to Ron McKenzie at (509) 495-4320.

Sincerely,

A handwritten signature in cursive script that reads "Kelly Norwood".

Kelly Norwood
Vice President, State and Federal Regulation

Enclosure
RM

CERTIFICATE OF SERVICE

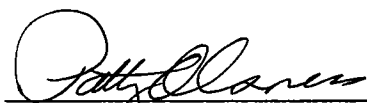
I HEREBY CERTIFY that I have served Avista Corporation's Power Cost Adjustment (PCA) Annual Rate Adjustment Filing by mailing a copy thereof, postage prepaid, to the following:

Ms Jean D Jewell, Secretary
Idaho Public Utilities Commission
472 W. Washington St.
Boise, ID 83702-5983

Pamela Mull
Vice President & General Counsel
Potlatch Corporation
601 W. Riverside Ave.
Suite 1100
Spokane, WA 99201

Howard Ray
Technical Services Manager
Potlatch Corporation
803 Mill Road
PO Box 1126
Lewiston, ID 83501-1126

Dated at Spokane, Washington this 30th day of July 2007.



Patty O'ghess
Rates Coordinator

2007 JUL 31 AM 9:09

IDAHO PUBLIC UTILITIES COMMISSION

1 David J. Meyer
2 Vice President and Chief Counsel of
3 Regulatory and Governmental Affairs
4 Avista Corporation
5 1411 E. Mission Avenue
6 P. O. Box 3727
7 Spokane, Washington 99220
8 Phone: (509) 489-0500, Fax: (509) 495-8851

9 BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

10 IN THE MATTER OF THE POWER COST)
11 ADJUSTMENT (PCA) ANNUAL RATE) CASE NO. AVU-E-07-07
12 ADJUSTMENT FILING OF AVISTA)
13 CORPORATION)

14
15 I. INTRODUCTION

16 Avista Corporation, doing business as Avista Utilities (hereinafter Avista or Company), at
17 1411 East Mission Avenue, Spokane, Washington, respectfully files its Power Cost Adjustment
18 (PCA) annual rate adjustment filing in the above referenced case. The Company requests the
19 Commission issue an order approving recovery of power costs deferred through June 30, 2007, and
20 approving a PCA surcharge of 0.267¢ per kilowatt-hour to be effective October 1, 2007. The
21 Company requests that this filing be processed under the Commission's modified procedure rules.

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

23 Kelly O. Norwood
24 Vice President
25 State and Federal Regulation
26 Avista Corporation
27 1411 E. Mission Avenue
28 Spokane, Washington 99220
29 Phone: (509) 495-4267
30 Fax: (509) 495-8851

David J. Meyer
Vice President and Chief Counsel of
Regulatory and Governmental Affairs
Avista Corporation
1411 E. Mission Avenue
Spokane, Washington 99220
Phone: (509) 489-0500
Fax: (509) 495-8851

31 II. BACKGROUND

1 On October 31, 2006, the Idaho Public Utilities Commission (Commission) in Case No.
2 AVU-E-06-05 issued Order No. 301691 announcing a review of Avista Corporation's PCA
3 methodology and method of recovery. Avista's PCA is used to track changes in revenues and
4 costs associated with variations in hydroelectric generation, secondary prices, thermal fuel costs,
5 and changes in power contract revenues and expenses.

6 On March 2, 2007, the Commission opened Case No. AVU-E-07-01 to establish a
7 vehicle for review of Avista's PCA methodology and method of recovery. On June 29, 2007 the
8 Commission issued Order No. 30361 in that case and approved changes to the PCA methodology
9 and method of recovery, as well as a continuation of the existing 2.448% surcharge through
10 September 30, 2007.

11 In Order No. 30361 the Commission approved a change in the PCA methodology from a
12 trigger and cap mechanism to a single annual PCA rate adjustment filing requirement. The
13 Commission approved the following procedural schedule for administering the annual PCA filings:

14	August 1	Company filing for prior July – June deferral period
15	September 1	Review and comments by Staff and other interested parties
16	October 1	Commission Order and effective date of PCA rate adjustment

17 The Commission also approved a change in the method of PCA deferral recovery from a uniform
18 percentage basis to a uniform cents per kilowatt-hour basis effective with the October 1, 2007 rate
19 change. The current filing is the first annual PCA rate filing to be made since the modifications and
20 procedural schedule were approved by the Commission in Order No. 30361.

21 **III. UNRECOVERED DEFERRAL BALANCE**

1 The unrecovered deferral balance at June 30, 2006 is shown below, together with the
2 changes in the balance through June 30, 2007. Mr. McKenzie's testimony explains the
3 components of the changes in the deferral balance and Mr. Storro's testimony provides additional
4 explanation of the factors causing the deferral entries of \$13.2 million for the July 2006 through
5 June 2007 period.

6	Unrecovered balance at June 30, 2006	\$1,517,103
7	Deferrals (July 2006 - June 2007)	13,239,763
8	Centralia gain over-refund transferred to PCA deferral	6,380
9	Amortizations related to surcharge revenues (July 2006 – June 2007)	-4,691,623
10	Interest	<u>501,895</u>
11	Unrecovered balance at June 30, 2007	<u>\$10,573,518</u>

12 Monthly reports have been filed with the Commission regarding actual PCA deferral
13 entries to date. To facilitate Staff's review, additional copies of those reports for the months of
14 July 2006 through June 2007 have been included with this filing and have also been provided to
15 Potlatch Corporation, who was a party to Case No. AVU-E-07-01.

16 **IV. PROPOSED SURCHARGE TO BE EFFECTIVE OCTOBER 1, 2007**

17 The Company is proposing a uniform cents per kilowatt-hour PCA surcharge of 0.267¢ to
18 be effective October 1, 2007. Attached as Exhibit "A" is a copy of the proposed tariff, Schedule
19 66, which contains the proposed PCA surcharge rate. Also included in Exhibit "A" are tariff
20 sheets that show the proposed changes to Schedule 66 by the use of strikeouts and underlining.
21 Page 2 of Mr. McKenzie's Exhibit No. ____ (RLM-1) shows the calculation of the proposed
22 surcharge. The proposed surcharge is designed to recover the deferral balance at June 30, 2007,
23 less forecasted amortization associated with the existing surcharge that is effective through
24 September 30, 2007, plus an estimate of interest during the recovery period. After applying the
25 conversion factor related to commission fees and uncollectibles, the resulting revenue

1 requirement of approximately \$9.6 million is divided by forecasted kilowatt-hours for the period
2 October 1, 2007 through September 30, 2008, to derive the proposed surcharge rate of 0.267¢ per
3 kilowatt-hour.

4 Since the proposed surcharge is spread on a uniform cents per kilowatt-hour basis and
5 replaces the existing surcharge that was spread on a uniform percentage basis, the resulting
6 percentage increases vary by rate schedule. Page 1 of Mr. McKenzie's Exhibit No. ____ (RLM-1)
7 shows the effect of the proposed PCA surcharge by rate schedule. The proposed surcharge is
8 approximately \$9.6 million, which is approximately \$4.6 million more than the existing surcharge of
9 approximately \$5.0 million. Column (j) on page 1 of Exhibit No. ____ (RLM-1) shows the
10 breakdown of the \$4.6 million increase over the existing surcharge by rate schedule and column (k)
11 shows the resulting percentage increases by rate schedule.

12 Under the Company's proposal, the surcharge rate for residential customers will increase
13 from 0.163¢ per kilowatt-hour to 0.267¢ per kilowatt-hour, or an increase of 0.104¢ per kilowatt-
14 hour. For an average residential customer using 1,000 kilowatt-hours per month, the monthly
15 increase will be \$1.04. Under present rates, a residential bill for 1,000 kilowatt-hours amounts to
16 \$69.38. With the proposed surcharge in place the monthly bill would be \$70.42, or about 1.5%
17 higher than the bill under present rates.

18 **V. REQUEST FOR RELIEF**

19 The Company requests the Commission issue an order approving recovery of power costs
20 deferred through June 30, 2007, and approving a PCA surcharge of 0.267¢ per kilowatt-hour to be
21 effective October 1, 2007. The Company requests that the matter be processed under the
22 Commission's Modified Procedure rules through the use of written comments.

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Dated at Spokane, Washington this 30th day of July 2007.

AVISTA CORPORATION

BY *Kelly Norwood*
Kelly Norwood
Vice President
State and Federal Regulation

Case No. AVU-E-07-07

Exhibit "A"

AVISTA CORPORATION
d/b/a Avista Utilities

SCHEDULE 66

TEMPORARY POWER COST ADJUSTMENT - IDAHO

APPLICABLE:

To Customers in the State of Idaho where the Company has electric service available. This Power Cost 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 Rate Adjustment is designed to recover or rebate a portion of the difference between actual and allowed net power supply costs.

MONTHLY RATE:

The energy charges of electric Schedules 1, 11, 12, 21, 22, 25, 25P, 31, and 32 are to be increased by 0.267¢ per kilowatt-hour in all blocks of these rate schedules.

Flat rate charges for Company-owned or Customer-owned Street Lighting and Area Lighting Service, Schedules 41-49, are to be increased by 0.267¢ per kilowatt-hour times the monthly usages of the various light sizes and types on these schedules.

SPECIAL TERMS AND CONDITIONS:

The rates set forth under this Schedule are subject to periodic review and adjustment by the IPUC based on the actual balance of deferred power costs.

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 30, 2007

Effective October 1, 2007

Issued by Avista Utilities
By

Kelly O. Norwood – Vice President, State & Federal Regulation

AVISTA CORPORATION
d/b/a Avista Utilities

SCHEDULE 66

TEMPORARY POWER COST ADJUSTMENT - IDAHO

APPLICABLE:

To Customers in the State of Idaho where the Company has electric service available. This Power Cost 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 Rate Adjustment is designed to recover or rebate a portion of the difference between actual and allowed net power supply costs.

MONTHLY RATE:

The energy charges of the individual rate schedules are to be increased by the following amounts:

Schedule 1	0.163¢ per kwh
Schedules 11 & 12	0.190¢ per kwh
Schedules 21 & 22	0.145¢ per kwh
Schedules 25	0.103¢ per kwh
Schedule 25P	0.093¢ per kwh
Schedules 31 & 32	0.151¢ per kwh

Flat rate charges for Company-owned or Customer-owned Street Lighting and Area Lighting Service are to be increased by the following percentage:

Schedules 41-49	2.448%
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SPECIAL TERMS AND CONDITIONS:

The rates set forth under this Schedule are subject to periodic review and adjustment by the IPUC based on the actual balance of deferred power costs.

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 January 19, 2005

Effective April 15, 2005

Issued by Avista Utilities
By

Kelly O. Norwood – Vice President, State & Federal Regulation

AVISTA CORPORATION
d/b/a Avista Utilities

SCHEDULE 66

TEMPORARY POWER COST ADJUSTMENT - IDAHO

APPLICABLE:

To Customers in the State of Idaho where the Company has electric service available. This Power Cost 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 Rate Adjustment is designed to recover or rebate a portion of the difference between actual and allowed net power supply costs.

MONTHLY RATE:

The energy charges of electric Schedules 1, 11, 12, 21, 22, 25, 25P, 31, and 32 are to be increased by 0.267¢ per kilowatt-hour in all blocks of these rate schedules.

Flat rate charges for Company-owned or Customer-owned Street Lighting and Area Lighting Service, Schedules 41-49, are to be increased by 0.267¢ per kilowatt-hour times the monthly usages of the various light sizes and types on these schedules.

SPECIAL TERMS AND CONDITIONS:

The rates set forth under this Schedule are subject to periodic review and adjustment by the IPUC based on the actual balance of deferred power costs.

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 30, 2007

Effective October 1, 2007

Issued by Avista Utilities
By

Kelly O. Norwood – Vice President, State & Federal Regulation