

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

**IN THE MATTER OF AVISTA )**  
**CORPORATION'S ANNUAL POWER COST )** **CASE NO. AVU-E-07-07**  
**ADJUSTMENT (PCA) FOR THE PERIOD )**  
**JULY 1, 2007 TO JUNE 30, 2008 )** **NOTICE OF APPLICATION**  
)  
) **NOTICE OF**  
) **MODIFIED PROCEDURE**  
)  
) **ORDER NO. 30402**

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On July 31, 2007, Avista Corporation dba Avista Utilities filed its annual Power Cost Adjustment (PCA) Application. Since 1989 the PCA mechanism has permitted Avista to adjust its PCA rates upward or downward to reflect the Company's annual "power supply costs." Because of its reliance on hydroelectric and natural gas-fired generation, Avista's actual cost of providing electricity (its power supply costs) varies from year to year depending on changes in streamflows, natural gas prices, and the market price of power. The annual PCA surcharge or credit is combined with the Company's "base rates" to produce a customer's overall energy rate.

In this PCA Application, Avista calculates that its annual power costs have increased approximately \$4.6 million more than the existing PCA surcharge of about \$5.0 million. The Company estimates that this results in an overall PCA rate increase of 2.22%. Application, Exh. RLM-1 at page 1. The Company proposes an effective date of October 1, 2007.

**BACKGROUND**

In Order No. 30361 issued June 29, 2007, the Commission approved two major changes to Avista's PCA methodology. First, the Commission changed Avista's PCA from a "trigger and cap" mechanism to a single, annual PCA rate adjustment. Order No. 30361 at 6. Under the trigger-and-cap mechanism, a PCA rate change was not "triggered" until the deferral exceeded a certain threshold, and the rate change was "capped" at 5%. Order No. 28108 at 1. Second, the Commission changed the PCA rate from a uniform "percentage" basis to a uniform "cents per kilowatt hour (kWh)" basis. *Id.* The Commission also authorized continuation of the existing 2.448% PCA surcharge until September 30, 2007. The Commission directed that these changes be implemented in this docket.

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## NOTICE OF APPLICATION

YOU ARE HEREBY NOTIFIED that during the PCA year (July 1, 2006 through June 30, 2007) the Company reports that its unrecovered deferral balance after the 90/10 split is \$10,573,518. Application at 3. The Company attributed the higher power supply costs to higher natural gas fuel costs and slightly reduced hydro generation. Storro Direct at 2. Consequently, Avista seeks a PCA surcharge of 0.267¢ kWh.

YOU ARE FURTHER NOTIFIED that under the Company's proposal, the PCA surcharge rate for residential customers will increase from 0.163¢ per kWh to 0.267¢ per kWh, an increase of 0.104¢ per kWh. If approved, the monthly bill for the average residential customer using 1,000 kWh per month would increase by \$1.04. The average monthly bill for a residential customer using 1,000 kWh would increase from \$69.38 to \$70.42, or an increase of approximately 1.5%.

YOU ARE FURTHER NOTIFIED that because the PCA rate is being changed from a percentage basis to a cents-per-kilowatt basis, the percentage increase will vary by customer class. The table below shows the proposed increase in the PCA rates for the major customer classes:

CUSTOMER GROUP (SCHEDULE)	PERCENTAGE CHANGE
Residential (1)	1.53%
General Services (11 & 12)	0.98%
Large General Services (21 & 22)	2.04%
Extra Large General Services (25)	3.86%
Pumping Services (31 & 32)	1.83%
Street and Area Lights (41 - 49)	-0.89%

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YOU ARE FURTHER NOTIFIED that the Company's Application is supported by the testimony of Richard Storro, the Director of Power Supply, and Ronald McKenzie, Manager of Regulatory Accounting. The Company submitted proposed tariff changes to its Schedule 66 (Temporary Power Cost Adjustment). The Company proposed an effective date of October 1, 2007 and requests that its PCA Application be processed under Modified Procedure.

## NOTICE OF MODIFIED PROCEDURE

YOU ARE FURTHER NOTIFIED that the Commission has determined that the public interest may not require a formal hearing in this matter and will proceed under Modified Procedure pursuant to Rules 201 through 204 of the Idaho Public Utilities Commission's Rules of Procedure, IDAPA 31.01.01.201 through .204. The Commission notes that Modified Procedure and written comments have proven to be an effective means for obtaining public input and participation.

YOU ARE FURTHER NOTIFIED that any person desiring to state a position on this Application may file a written comment in support or opposition with the Commission within twenty-eight (28) days from the service date of this Notice. The comment must contain a statement of reasons supporting the comment. Persons desiring a hearing must specifically request a hearing in their written comments. Written comments concerning this Application shall be mailed to the Commission and the Applicant at the addresses reflected below:

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  
Vice President State & Federal Regulation  
Avista Corporation  
1411 E. Mission Avenue  
Spokane, WA 99220  
E-Mail: [kelly.norwood@avistacorp.com](mailto:kelly.norwood@avistacorp.com)

David J. Meyer  
Vice President and Chief Counsel of  
Regulatory and Governmental Affairs  
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1411 E. Mission Avenue  
Spokane, WA 99220  
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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.idaho.gov](http://www.puc.idaho.gov). Click the "Comments and Questions" icon, and complete the comment form, using the case number as it appears on the front of this document. These comments must also be sent to Avista at the e-mail addresses listed above.

YOU ARE FURTHER NOTIFIED that if no written comments or protests are received within the time limit set, the Commission will consider this matter on its merits and enter its Order without a formal hearing. If written comments are received within the time limit set, the Commission will consider them and, in its discretion, may set the same for formal hearing.

YOU ARE FURTHER NOTIFIED that the Application and supporting workpapers, testimonies and exhibits have been filed with the Commission and are available for public inspection during regular business hours at the Commission offices. The Application and testimonies are also available on the Commission's Website at [www.puc.idaho.gov](http://www.puc.idaho.gov) under the "File Room" and then "Electric Cases."

YOU ARE FURTHER NOTIFIED that all proceedings in this case will be held pursuant to the Commission's jurisdiction under Title 61 of the Idaho Code and specifically *Idaho Code* §§ 61-307, 61-503, and 61-622. The Commission may enter any final Order consistent with its authority under Title 61.

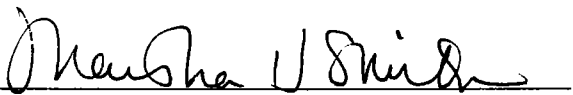
YOU ARE FURTHER NOTIFIED that all proceedings in this matter will be conducted pursuant to the Commission's Rules of Procedure, IDAPA 31.01.01.000 *et seq.*

#### **ORDER**

IT IS HEREBY ORDERED that this case be processed under Modified Procedure. Interested persons wishing to file comments or protests must do so no later than 28 days from the service date of this Order.


DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 10<sup>th</sup>  
day of August 2007.

  
PAUL KJEILANDER, PRESIDENT

  
MARSHA H. SMITH, COMMISSIONER

  
MACK A. REDFORD, COMMISSIONER

ATTEST:

  
Jean D. Jewell  
Commission Secretary

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