

DECISION MEMORANDUM

**TO: COMMISSIONER KJELLANDER
COMMISSIONER REDFORD
COMMISSIONER SMITH
COMMISSION SECRETARY
COMMISSION STAFF**

**FROM: KARL KLEIN
DEPUTY ATTORNEY GENERAL**

DATE: AUGUST 6, 2014

**SUBJECT: AVISTA CORPORATION'S ANNUAL POWER COST ADJUSTMENT
(PCA) APPLICATION, CASE NO. AVU-E-14-06**

On July 30, 2014, Avista Corporation dba Avista Utilities filed its annual Power Cost Adjustment (PCA) Application. The PCA is an annual adjustment mechanism that tracks changes in the Company's hydro generation, thermal fuel costs, secondary prices, and changes in power contract revenue and expenses.

In this year's Application, the Company asks the Commission to let it recover its deferred power costs from July 1, 2013 through June 30, 2014, and approve a PCA surcharge of 0.252¢ per kilowatt-hour (kWh) to be effective October 1, 2014. Under the Company's proposal, the PCA rate for all customers, including residential customers, would increase from a rebate of 0.152¢ per kWh to a surcharge of 0.252¢ per kWh (a 0.404¢ per kWh increase). The Company attributes 38% of the proposed PCA rate adjustment to the expiration of a customer rebate, and 62% of the proposed adjustment to increased power supply costs over the last 12 months. The Company explains the resulting percentage increases will vary by rate schedule because PCA rate adjustments are spread on a uniform cents per kWh basis, with the overall increase being 4.99%. The Company says that if the Commission approves the Application, the average residential customer using 930 kWh per month will see a \$3.76/month increase, from \$81.88 to \$85.64 (or 4.59%).¹ The Company requests that its Application be processed under

¹ On July 30, 2014, Avista filed Advice No. 14-04-E and proposed changes to the Residential Exchange Program (Schedule 59) that would decrease the average residential customer's monthly bill by \$0.31 or 0.4%. In that tariff advice, the Company proposes an October 1, 2014 effective date, which is the same effective date proposed in this PCA filing.

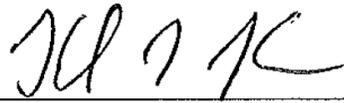
Modified Procedure and that the Commission issue its Order approving the PCA Application to become effective on October 1, 2014.

STAFF RECOMMENDATION

Staff recommends that the case be processed by Modified Procedure, with comments due by September 15, 2014. Avista concurs in this approach.

COMMISSION DECISION

Does the Commission wish to process this case by Modified Procedure with a comment deadline of September 15, 2014?



Karl Klein
Deputy Attorney General

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