

**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 25, 2008

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

Attention: Ms. Jean Jewell, Secretary

Case No. AVU-E-08-~~05~~  
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 2007 through June 2008. Also enclosed is a certificate of service, three copies of a customer notice, and three copies of a press release. A computer readable copy of the testimonies, exhibits, and workpapers, required under Rule 231.05, are included on an enclosed compact disk.

The Company is requesting that the Commission issue an order approving recovery of power costs deferred through June 30, 2008, and approving a PCA surcharge of 0.610¢ per kilowatt-hour to be effective October 1, 2008. The proposed surcharge will replace the existing surcharge, which expires on September 30, 2008. The proposed surcharge is about \$21.7 million, which is approximately \$12.2 million more than the existing surcharge of about \$9.5 million. The requested revenue increase of \$12.2 million results in an overall 5.94 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.

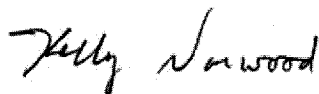
Under the Company's proposal, the surcharge rate for residential customers will increase from 0.267¢ per kilowatt-hour to 0.610¢ per kilowatt-hour, or an increase of 0.343¢ per kilowatt-hour. For an average residential customer using 1,000 kilowatt-hours per month, the monthly increase will be \$3.43. Under present rates, a residential bill for 1,000 kilowatt-hours amounts to \$63.44. With the proposed surcharge in place the monthly bill would be \$66.87, or about 5.4% 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 black ink that reads "Kelly Norwood". The signature is written in a cursive style with a large initial "K".

Kelly Norwood  
Vice President, State and Federal Regulation

Enclosure

RM

## CERTIFICATE OF SERVICE

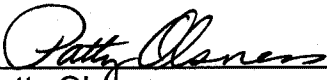
I HEREBY CERTIFY that I have served Avista Corporation's Power Cost Adjustment (PCA) Annual Rate Adjustment Filing by mailing a copy thereof, postage prepaid, to the following:

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. First Ave.  
Suite 1600  
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 25th day of July 2008.

  
\_\_\_\_\_  
Patty Olsness  
Rates Coordinator

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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-08-05  
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 for the period July 1, 2007  
20 through June 30, 2008, and approving a PCA surcharge of 0.610¢ per kilowatt-hour to be effective  
21 October 1, 2008. The Company requests that this filing be processed under the Commission's  
22 modified procedure rules.

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

24 Kelly O. Norwood  
25 Vice President  
26 State and Federal Regulation  
27 Avista Corporation  
28 1411 E. Mission Avenue  
29 Spokane, Washington 99220  
30 Phone: (509) 495-4267  
31 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

32 II. BACKGROUND

1 Avista's PCA is used to track changes in revenues and costs associated with variations in  
2 hydroelectric generation, secondary prices, thermal fuel costs, and changes in power contract  
3 revenues and expenses. Avista's existing PCA methodology and method of recovery were  
4 approved in Case No. AVU-E-07-01 by Order No. 30361 dated June 29, 2007. In that case the  
5 Commission approved a change in the PCA methodology from a trigger and cap mechanism to a  
6 single annual PCA rate adjustment filing requirement. The Commission approved the following  
7 procedural schedule for administering the annual PCA filings:

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

11 The Commission also approved a change in the method of PCA deferral recovery from a uniform  
12 percentage basis to a uniform cents per kilowatt-hour basis effective with the October 1, 2007 PCA  
13 rate change. On July 31, 2007 Avista filed its first PCA annual rate filing pursuant to the  
14 modifications and procedural schedule approved by Order No. 30361. Order No. 30429 in Case No.  
15 AVU-E-07-07 dated September 14, 2007 approved the existing PCA rate surcharge of 0.267¢ per  
16 kilowatt-hour effective for the period October 1, 2007 through September 30, 2008.

### 17 III. DEFERRALS – JULY 1, 2007 THROUGH JUNE 30, 2008

18 The amount of power cost deferrals for the period July 1, 2007 through June 30, 2008 is  
19 shown below, as well as interest for the same period. Mr. Johnson's testimony provides an  
20 explanation of the factors causing the deferral entries for the period.

21	Deferrals (July 2007 - June 2008)	\$20,348,374
22	Interest	<u>618,541</u>
23	Balance at June 30, 2008	<u>\$20,966,915</u>

1 Monthly reports have been filed with the Commission regarding actual PCA deferral  
2 entries to date. To facilitate Staff's review, additional copies of those reports for the months of  
3 July 2007 through June 2008 have been included with this filing and have also been provided to  
4 Potlatch Corporation.

#### 5 **IV. PROPOSED SURCHARGE TO BE EFFECTIVE OCTOBER 1, 2008**

6 The Company is proposing a uniform cents per kilowatt-hour PCA surcharge of 0.610¢ to  
7 be effective October 1, 2008. The existing PCA surcharge of 0.267¢ expires on September 30,  
8 2008. Attached as Exhibit "A" is a copy of the proposed tariff, Schedule 66 (Tenth Revision),  
9 which contains the proposed PCA surcharge rate. Also included in Exhibit "A" is a tariff sheet  
10 that shows the proposed changes to Schedule 66 (Ninth Revision) by the use of strikeouts and  
11 underlining. Page 2 of Mr. McKenzie's Exhibit No. \_\_\_ (RLM-1) shows the calculation of the  
12 proposed surcharge. The proposed surcharge is designed to recover the deferrals and interest  
13 during the recovery period of October 1, 2008 through September 30, 2009.

14 Since the proposed surcharge is spread on a uniform cents per kilowatt-hour basis, the  
15 resulting percentage increases vary by rate schedule. Page 1 of Mr. McKenzie's Exhibit No. \_\_\_  
16 (RLM-1) shows the effect of the proposed PCA surcharge by rate schedule. The proposed surcharge  
17 is approximately \$21.7 million, which is approximately \$12.2 million more than the existing  
18 surcharge of approximately \$9.5 million. Column (j) on page 1 of Exhibit No. \_\_\_ (RLM-1) shows  
19 the breakdown of the \$12.2 million increase over the existing surcharge by rate schedule and column  
20 (k) shows the resulting percentage increases by rate schedule.

21 Under the Company's proposal, the surcharge rate for residential customers will increase  
22 from 0.267¢ per kilowatt-hour to 0.610¢ per kilowatt-hour, or an increase of 0.343¢ per kilowatt-

1 hour. For an average residential customer using 1,000 kilowatt-hours per month, the monthly  
2 increase will be \$3.43. Under present rates, a residential bill for 1,000 kilowatt-hours amounts to  
3 \$63.44. With the proposed surcharge in place the monthly bill would be \$66.87, or about 5.4%  
4 higher than the bill under present rates.

5 **V. REQUEST FOR RELIEF**

6 The Company requests the Commission issue an order approving recovery of power costs  
7 deferred through June 30, 2008, and approving a PCA surcharge of 0.610¢ per kilowatt-hour to be  
8 effective October 1, 2008. The Company requests that the matter be processed under the  
9 Commission's Modified Procedure rules through the use of written comments.

10  
11 Dated at Spokane, Washington this 25<sup>th</sup> day of July 2008.

12  
13 AVISTA CORPORATION

14 BY Kelly Norwood  
15 Kelly Norwood  
16 Vice President  
17 State and Federal Regulation  
18  
19

1  
2  
3 VERIFICATION

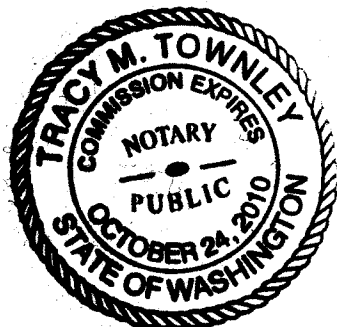
4 STATE OF WASHINGTON )  
5 )  
6 County of Spokane )  
7

8 Kelly Norwood, being first duly sworn on oath, deposes and says: That he is the Vice  
9 President of State and Federal Regulation of Avista Utilities and makes this verification for and on  
10 behalf of Avista Corporation, being thereto duly authorized;

11 That he has read the foregoing filing, knows the contents thereof, and believes the same to be  
12 true.  
13

14 Kelly Norwood  
15  
16

17 SIGNED AND SWORN to before me this 25<sup>th</sup> day of July 2008, by Kelly Norwood.  
18  
19



29 Tracy M. Townley  
30 NOTARY PUBLIC in and for the State of  
31 Washington, residing at Spokane.

32 Commission Expires: 10/24/2010



Case No. AVU-E-08-05

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 0.610¢ 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 0.610¢ 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 25, 2008

Effective October 1, 2008

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.

0.610

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.

0.610

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