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Attorney for the Commission Staff

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

**IN THE MATTER OF THE APPLICATION OF)
AVISTA CORPORATION FOR APPROVAL OF) CASE NO. AVU-E-09-2
AN ELECTRIC DISTRIBUTION SERVICE)
AGREEMENT WITH EAST GREENACRES)
IRRIGATION DISTRICT.) COMMENTS OF THE
) COMMISSION STAFF
)
)
)**

COMES NOW the Staff of the Idaho Public Utilities Commission, by and through its Attorney of record, Neil Price, Deputy Attorney General, and in response to the Notice of Application and Notice of Modified Procedure issued in Order No. 30739 on March 4, 2009, submits the following comments.

BACKGROUND

On February 2, 2009, Avista Corporation (“Avista” or “Company”) filed an Application with the Commission seeking approval of its Electric Distribution Service Agreement (“Agreement”) with East Greenacres Irrigation District (“East Greenacres”).

The parties entered into the Agreement on January 30, 2009 and have stipulated to an effective date of March 1, 2009 or the first day following an Order by the Commission granting approval of the Agreement. The proposed Agreement expires on September 30, 2014, unless it is terminated earlier by the Company or East Greenacres with at least one year written notice.

The Agreement provides for the continued delivery of United States Bureau of Reclamation energy over Avista-owned and -operated distribution facilities from Avista's Post Falls Substation to certain delivery points on the East Greenacres system.

Avista states in its Application that the distribution rate charged by the Company is "consistent with distribution charges embedded in current Idaho retail rates" and the net revenues generated via the Agreement will serve as an offset to the Company's fixed costs.

The distribution charge recited in the proposed Agreement is \$3,622.77 per month, or \$43,473.24 per year.

STAFF REVIEW

Staff verified the values in the rate calculation from the Company's Cost of Service study from its last approved general rate case, Case No. AVU-E-08-1. East Greenacres Annual Distribution and Substation Use of Facilities Charge is proposed to be \$43,473 or \$3,623 per month. The annual distribution charge is based on a percentage of Idaho's total distribution facilities cost. The percentage is calculated using East Greenacres's "Load Ratio Share" of 0.0978% which is the ratio of East Greenacres annual energy consumption of 3,352,862 kWh and Idaho's normalized annual energy consumption of 3,429,176,000 kWh in 2007. Idaho's distribution facilities cost of \$44,451,166 is from the Idaho total distribution cost of \$49,580,740 minus the Customer Service, and Information and Sales costs of \$5,129,574. The Customer Service, and Information and Sales costs are excluded because they are not relevant to the use of facilities costs to deliver the energy to East Greenacres. When the irrigation district's load ratio of 0.0978% is applied to distribution facility costs of \$44,451,166, the Use of Facilities Charge is calculated to be \$43,473/yr.

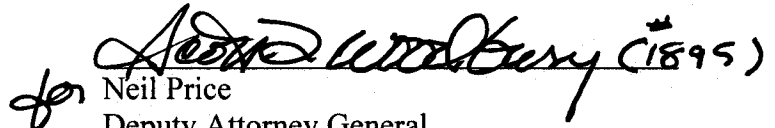
The use by the Company of an Idaho jurisdictional energy methodology to allocate distribution costs to East Green Acres Irrigation District is just one of several methodologies that can be used to establish a facilities charge. While Staff does not necessarily oppose the use of the proposed methodology in this case, we believe that allocation of the distribution facilities used by the irrigation district based on demand would be more appropriate. Clearly, the cost of distribution facilities is driven by demand rather than energy. Consequently, a demand-based allocation of the distribution costs would better reflect cost causation. Staff and the Company have discussed this issue and have agreed to work together to develop a demand-based rate calculation methodology for use in the future.

In this case the data needed to apply the Company's energy allocation methodology was more readily available than the demand data. The Company has proceeded with an agreement based on energy and both parties have approved the proposed Agreement. Staff does not believe that the general body of ratepayers will be harmed by approval of the proposed Agreement. Staff therefore recommends that the proposed Agreement be approved in this case.

STAFF RECOMMENDATION

Staff recommends that the Commission approve the terms of the submitted Agreement.

Respectfully submitted this 25th day of March 2009.


Neil Price
Deputy Attorney General

Technical Staff: TJ Golo
Dave Schunke

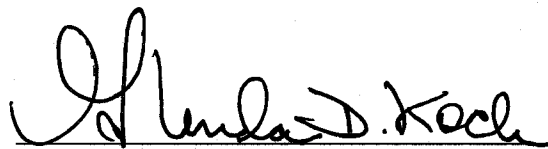
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CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 25TH DAY OF MARCH 2009, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF**, IN CASE NO. AVU-E-09-2, BY MAILING A COPY THEREOF, POSTAGE PREPAID, TO THE FOLLOWING:

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SECRETARY