

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF AVISTA)	
CORPORATION'S ANNUAL POWER COST)	CASE NO. AVU-E-12-06
ADJUSTMENT (PCA))	
<hr/>		ORDER NO. 32654

On July 31, 2012, Avista Corporation ("Avista" or "Company") filed its annual Power Cost Adjustment ("PCA") and requested a Commission Order approving the recovery of power costs deferred for the period of July 1, 2011 through June 30, 2012 and a rebate of 0.090¢ per kilowatt-hour to be effective October 1, 2012. *Application* at 1. The Company estimates an overall decrease of 2.17%. *Id.* at 4.

On August 21, 2012, the Commission issued Notices of Application, Modified Procedure and Intervention Deadline. *See* Order No. 32622. Thereafter, Idaho Forest Group LLC ("IFG") petitioned for and was granted intervention in this case. Staff, IFG and two individual customers filed written comments regarding Avista's Application.

AVISTA'S PCA FILING

Avista's Application states that its "existing PCA methodology and method of recovery were approved in Case No. AVU-E-07-01 by Order No. 30361 dated June 29, 2007." *Id.* at 2. In that case, the Commission "approved a change in the method of PCA deferral recovery from a uniform percentage basis to a uniform cents per kilowatt-hour basis effective with the October 1, 2007 PCA rate change." *Id.*

The Company's Application outlines the power cost deferrals, including interest, for the July 1, 2011 through June 30, 2012 deferral period:

Deferrals (July 2011 - June 2012)	\$ (3,170,099)
Interest	<u> (21,812)</u>
PCA deferral balance as of June 30, 2012	\$ (3,191,911)

Id. at 3. In its filing, Avista included copies of its monthly PCA deferral reports for the months of July 2011 through June 2012. *Id.*

Attached as Exhibit A to Avista's filing is a copy of the Company's proposed tariff "proposing a uniform cents per kilowatt-hour PCA rebate of 0.090¢ to be effective October 1, 2012." *Id.* Avista states that the "proposed rebate is designed to pass through the deferrals for

the period July 1, 2011 through June 30, 2012, as well as the unrecovered balance related to the July 1, 2010 through June 30, 2011 deferral period, and interest during the recovery period of October 1, 2012 through September 30, 2013.” *Id.*

Avista’s Application also includes the direct testimony of Ronald L. McKenzie, Regulatory Account Manager, and William G. Johnson, Power Contracts Analyst. Mr. McKenzie’s direct testimony “shows the effect of the proposed PCA rebate by rate schedule.” *Id.* “The proposed rebate of 0.090¢ per kilowatt-hour . . . is 0.162¢ per kilowatt-hour less than the existing surcharge of 0.072¢ per kilowatt-hour.” *Id.* at 3-4. Specifically, Avista claims that “residential customers using an average of 939 kilowatt-hours per month would see their monthly bills decrease from \$80.56 to \$79.04, a decrease of \$1.52 per month, or 1.89%.” *Id.* at 4.

Below is a table demonstrating the Company’s proposed average decrease for each customer class:

Customer Group (Schedule)	Percentage Decrease
Residential (Schedule 1)	-1.86%
General Service (Schedules 11, 12)	-1.62%
Large General Service (Schedules 21, 22)	-2.09%
Extra Large General Service (Schedule 25)	-3.02%
Clearwater (Schedule 25P)	-3.25%
Pumping Service (Schedules 31, 32)	-1.85%
Street and Area Lights (Schedules 41-49)	-0.73%
Average	-2.17%

STAFF COMMENTS

Staff reviewed Avista’s Application, including the Thermal Fuel account (FERC 501), Combustion Turbine Fuel account (FERC 547) and the Power Sales Revenue account (FERC 447), and concluded “that the various power cost transactions appear reasonable at the time they were made.” *Staff Comments* at 3. Staff confirmed that the amounts in the deferral balance in the Company’s Application as of June 30, 2012 are true and correct. *Id.*

Staff audited the Company’s proposed PCA deferral amount and itemized the total deferral amount, (\$3,191,911), in the following manner:

- | | |
|--------------------------------------|--------------|
| 1. FERC Account 555- Purchased Power | \$40,772,828 |
| 2. FERC Account 501- Thermal Fuel | (1,594,239) |
| 3. FERC Account 547- | (11,679,124) |

4. FERC Account 447- Sales for Resale	(28,339,101)
5. All Clearwater Revenues and Expenses	(6,087,025)
6. Resource Optimization- Loss on Natural Gas Resold	3,346,283
7. Idaho Retail Revenue Adjustment	1,281,440
8. Net Transmission Revenue and Expense	(871,161)
9. Interest during deferral period	<u>(21,812)</u>
10. Total	(\$3,191,911)

Id. at 3-5.

In addition to the deferral amount, Staff noted that the Company included \$93,372 for recovery in rates. *Id.* at 6. This amount is equal to the unrecovered balance of the Company's prior year PCA filing, \$108,635, minus interest, (\$3,786), and a revenue conversion amount, (\$11,477). *Id.* Staff believes that these amounts are reasonable and remarked that they are typically "trued-up in the following year's PCA." *Id.* The foregoing deferral balance results in a PCA rate of 0.090 ¢/kWh [total deferral amount/forecasted retail sales for the time period that the rate will be in effect]. *Id.*

Staff noted that on August 10, 2012, Avista filed a Notice of Intent to file a general rate case. *Id.* Accordingly, Staff recommended the Commission allow the current PCA surcharge rate of 0.072¢/kWh to expire on September 30, 2012, and defer implementing the proposed PCA rebate of \$3,098,539 (\$3,191,911 - \$93,372) until a later date. *Id.* Staff believes that this approach will increase rate stability. *Id.*

In accordance with Commission Rules of Procedure, the Company apprised customers of its PCA proposal in a formal Customer Notice and Press Release. *Id.* at 7. The notice advised customers that the proposed PCA rebate would be offset by the expiration of existing rebates and surcharges, including the expiration of the Idaho State tax deferral on income taxes on October 1, 2012. *Id.*

Acknowledging the expiration of existing surcharges, below is a table depicting the results, by customer class, of Staff's PCA review:

Customer Group (Schedule)	Percentage Decrease
Residential (Schedule 1)	-0.83%
General Service (Schedules 11, 12)	-0.72%
Large General Service (Schedules 21, 22)	-0.93%
Extra Large General Service (Schedule 25)	-1.34%
Clearwater (Schedule 25P)	-1.44%
Pumping Service (Schedules 31, 32)	-0.82%
Street and Area Lights (Schedules 41-49)	-0.32%
Average	-0.97%

Id.

Staff recommended Commission approval of the audited deferral balance of (\$3,191,911) for the time period of July 1, 2011 through June 30, 2012. *Id.* at 8. Staff recommended the Commission hold back this amount for future credit to customers. *Id.* Staff recommended the Commission allow the existing PCA surcharge rate of 0.072¢/kWh to expire on September 30, 2012. *Id.* “The Staff proposes a PCA rate of 0.000¢/kWh for the period October 1, 2012 through September 30, 2013.” *Id.*

IDAHO FOREST GROUP LLC COMMENTS

IFG states that it operates two lumber mills in Grangeville and Lewiston, Idaho taking service from Avista under Schedule 25, Large General Service. *IFG Comments* at 1. IFG estimates that its combined annual expense for electric service is approximately \$3,000,000. *Id.* at 2. IFG states that if Avista’s proposed PCA rebate of 0.090¢/kWh were approved by the Commission its businesses would realize a reduction of approximately \$7,000 per month. *Id.*

IFG objects to Staff’s proposal to hold back the PCA rebate proposed by the Company. *Id.* at 2-3. IFG believes that an immediate PCA rebate is more efficient and notes that any offset of the anticipated rate increase resulting from Avista’s impending general rate case would not be realized until approximately May 2013. *Id.* at 3. IFG argues that any offset “to camouflage the magnitude of a future rate increase is not an appropriate application of the rate stability goal.” *Id.* at 4. IFG concludes that deferring the application of a PCA recovery or rebate in this case would be an unprecedented decision by the Commission. *Id.*

PUBLIC COMMENTS

The Commission received two public comments. One commenter erroneously believed that the Company was seeking to institute a rate increase; and the other commenter

applauded Avista's Application during this time of "economic personal hardship." Staff contacted the customer who believed that Avista was seeking an increase and advised the customer that the Company's Application was seeking an average 2% decrease.

COMMISSION FINDINGS AND DECISION

The Commission has reviewed Avista's Application and the written comments filed by Staff, IFG and the customers. Based upon our review, we note that the Company's Application is reasonable and adheres to our prior Orders approving the methodology to be utilized for the recovery or reimbursement of deferred net power costs incurred by the Company. *See* Order No. 30361.

Avista's existing PCA methodology and method of recovery were approved in 2007 in Case No. AVU-E-07-01 (Order No. 30361). In that case, the Commission approved a change in the PCA methodology from a trigger and cap mechanism to a single annual PCA rate adjustment filing requirement. The Commission also approved a change in the method of PCA deferral recovery from a uniform percentage basis to a uniform cents per kWh basis.

We recognize Staff's efforts and proposal to promote rate stability. Staff's approach seeks to defer the recovery of the Company's proposed reduction in order to offset anticipated base rate increases in the near term. While that is a worthy goal, rate instability, upward or downward, is an inherent attribute of the annual PCA mechanism. The year-to-year fluctuation of net power costs is the norm rather than the exception.

We also acknowledge IFG's concerns regarding the real value of an immediate reduction in rates in order to ameliorate current operating costs. The Commission is mindful that the same rationale applies equally to other customer groups who may be struggling to pay bills in the midst of a sluggish economy. Moreover, the Commission finds that the PCA contains an implicit compact between the Company and its customers to pass through the amount of excess power costs accrued during the deferral period. Based upon this record, we find no compelling reason to deviate from this arrangement. Therefore, the Commission finds that it is fair, just and reasonable to approve the Company's PCA Application, as filed and audited by Staff.

Thus, after reviewing the PCA Application and the comments filed in this case, the Commission accepts the audited deferral balance of (\$3,191,911) and finds it fair, just and reasonable to approve a PCA rebate of 0.090¢ per kilowatt-hour to be effective October 1, 2012.

CONCLUSIONS OF LAW

The Idaho Public Utilities Commission has jurisdiction over Avista Corporation, an electric utility, and the issues presented in Case No. AVU-E-12-06 pursuant to Idaho Code, Title 61, and the Commission's Rules of Procedure, IDAPA 31.01.01.000 *et seq.*

We find that the current PCA rate is no longer reasonable and order that the rate be reduced as set out in the Company's Application effective October 1, 2012.

ORDER

IT IS HEREBY ORDERED that Avista Corporation's Application for authority to implement a PCA rebate of 0.090¢ per kilowatt-hour to customers, based upon net power costs totaling (\$3,191,911) and deferred for the period of July 1, 2011 through June 30, 2012, is approved. The tariff sheets filed with the Company's initial Application are hereby approved, to be effective October 1, 2012.

THIS IS A FINAL ORDER. Any person interested in this Order may petition for reconsideration within twenty-one (21) days of the service date of this Order. Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. *See Idaho Code § 61-626.*

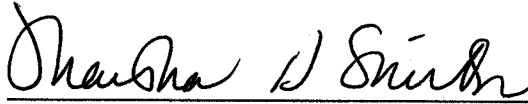
DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 28th
day of September 2012.



PAUL KJELLANDER, PRESIDENT

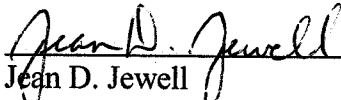


MACK A. REDFORD, COMMISSIONER



MARSHA H. SMITH, COMMISSIONER

ATTEST:



Jean D. Jewell
Commission Secretary

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