

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION)	
OF AVISTA CORPORATION FOR)	CASE NO. AVU-E-15-07
AUTHORITY TO AMEND ITS ANNUAL)	
POWER COST ADJUSTMENT (PCA) RATES)	ORDER NO. 33389
)	

On July 31, 2015, Avista Corporation filed its annual Power Cost Adjustment (PCA) Application. This year, Avista asked the Commission to approve a PCA *rebate* of 0.032¢ per kilowatt-hour (kWh) to be effective October 1, 2015. Under Avista's proposal, the PCA rate for all customers, including residential customers, would *decrease* from a surcharge rate of 0.252¢ per kWh to a rebate rate of 0.032¢ per kWh (a decrease of 0.284¢ per kWh).

Avista relates that, because the PCA rate adjustments are spread on a uniform cents-per-kWh basis, the resulting percentage decreases vary by rate schedule, with an overall decrease of 3.5%. Avista stated that if the Commission approves the Application, the average residential customer using 929 kWh per month will see a \$2.64 per month decrease, from \$85.24 to \$82.60 (or 3.1%). The Company requested the Commission approve the new PCA rates with an October 1, 2015 effective date.

On August 26, 2015, the Commission issued a Notice of Application and Notice of Modified Procedure that set a September 15, 2015 comment deadline. *See* Order No. 33368. Clearwater Paper Company and Idaho Forest Group (IFG) intervened in the case. Staff filed written comments supporting the Company's Application. No other comments were received, and the Company did not reply.

The Company's PCA mechanism tracks changes in the Company's revenues and costs due to changes in hydropower generation, power market purchases and sales, fuel costs, and other miscellaneous revenues and costs. When actual net power costs are greater than those recovered through base rates, customers are surcharged the difference. However, if net power costs are less, as is the case in this year's filing, then customers receive a rebate.

The Company proposed an overall rate *decrease* to customers of 3.5% as reflected by the schedule below:

Type of Service	Schedule	Billed Revenue % Increase
Residential	1	-3.20%
General Service	11, 12	-2.73%
Large General Service	21, 22	-3.42%
Extra Large General Service	25	-5.16%
Clearwater	25P	-5.17%
Pumping Service	31, 32	-2.87%
Street and Area Lights	41-49	-1.09%
Total		-3.48%

According to the Company, the overall decrease is approximately 0.284¢ per kilowatt-hour. Of this decrease, 88% of the reduction is due to removal of last year's surcharge, while 22% is attributed to the rebate in this year's PCA.

THE COMMENTS

Staff thoroughly examined the Company's PCA Application by reviewing the following: (1) actual and authorized expense; (2) net deferral activity; (3) deferral calculation methodology; (4) actual to authorized net power supply expense (NPSE); and (5) other adjustments. Staff supported the Company's Application. Staff's comments are summarized below.

A. Actual and Authorized Expense Audit

Commission Staff conducted an on-site audit during August 2015. While there, Staff examined the deferred balance amounts included in the current filing. The on-site review covered expenses incurred for the period of July 2014 through June 2015. The Staff examined a representative cross section of transactions included in the Purchased Power account (FERC 555), Thermal Fuel account (FERC 501), Combustion Turbine Fuel account (FERC 547), and the Sales for Resale account (FERC 447).

After a thorough review, Staff concluded that the power cost transactions that were audited were reasonable at the time they were made. Staff also reviewed the other PCA calculations and amounts, including the Natural Gas Transport Costs. Staff verified that Avista's booked amounts and other calculations were correctly reflected.

B. Net Deferral Activity

Net deferral activity represents the Idaho share of the difference in power costs and associated revenue adjustments deferred under the PCA mechanism for the 12-month-period ending June 30, 2015. A component of the net deferral is the net change in Power Supply Costs

(FERC Accounts 555, 501, 547, and 447). Along with the costs of serving load using Company-owned resources, these PCA accounts also include additional power purchase costs when market prices are lower than generation costs. After reviewing the amounts calculated by Avista, Staff concluded that the proposed deferral amount (-\$821,579 without interest; -\$819,879 with interest) was reasonable under the circumstances and meets the terms of the Commission's prior Orders.

C. Methodology

Staff reviewed Avista's overall deferral calculation methodology to ensure that it conformed to established methods and relevant past Commission Orders. After reviewing Avista's methodology, Staff found that Avista's PCA methodology complies with all past Commission Orders, and that the result provides an adjustment to base rates similar to the amount recovered by Avista, and no more or less than the actual power supply costs paid, minus sharing.

D. Net Power Supply Expense

Staff also performed an analysis of Avista's *actual* net power supply expense (NPSE) as it compares with NPSE *embedded* in base rates. There, Staff found that Avista was able to take advantage of higher power prices by selling over 120% more power on the open market at prices 14% higher than those that were assumed in base rates. Further, and at the same time, Avista was able to minimize the impact of higher power prices by purchasing additional power needed to meet load at a 5% higher rate. With regard to fuel costs, Avista benefited from a 10% lower thermal fuel cost when it increased the amount of actual generation by 6% over those assumed in base rates. Avista also reacted favorably to higher natural gas prices by slightly reducing the amount of natural gas-fired generation.

After study, Staff concluded that Avista's actual net power supply expense costs were reasonably incurred.

E. Other Adjustments

Staff has highlighted two items that are not normally included in a PCA deferral and rate calculation case. First, Avista claimed an adjustment to correct an error related to the Production and Transmission Ratio used for jurisdictional allocation purposes. According to the Company, it inadvertently used a ratio of 35.29% instead of 34.76% which was approved in Commission Case No. AVU-E-12-08. This error resulted in a correction of \$5,800 made during

the month of January 2015. Second, Avista logged another adjustment relating to a Commission-approved settlement with Bonneville Power Administration for the latter's use of the former's transmission system. See Case No. AVU-E-12-08. As approved in Commission Order No. 32769, Avista is allowed to true-up any residual balances between those allowed in base rates and actual rebate amounts. Accordingly, the Company transferred a balance of this amount into the PCA deferral reducing it by \$382,725.

After reviewing those adjustments favorably, Staff's calculation of Avista's PCA rate matches the rate proposed by the Company. Likewise, Staff believes that Avista's calculation is accurate and that it complies with all previous Commission Orders. As a result, Staff recommended the Commission accept the deferral balance of (\$819,879, with interest) and approve Schedule 66 rates as filed in Exhibit A of Avista's Application with an October 1, 2015 effective date. This will result in a PCA rebate of 0.032¢ per kWh.

DISCUSSION AND FINDINGS

The Commission has jurisdiction over Avista and the issues presented in this case pursuant to Idaho Code, Title 61, and specifically *Idaho Code* §§ 61-307, 61-503 and 61-622. After reviewing the Application and the comments filed in this case, we find that the Company's Application is reasonable and adheres to our prior Orders regarding the method to be used for the recovery or reimbursement of deferred net power supply costs incurred by the Company. Thus, the Commission accepts the deferral balance of (\$819,879) and finds it fair, just and reasonable to approve a PCA *rebate* of 0.032¢ per kilowatt-hour with an October 1, 2015 effective date.

ORDER

IT IS HEREBY ORDERED that the Company's Application is approved. The Company is authorized to issue a PCA rebate of 0.032¢ per kWh. The Company's proposed schedules are approved as filed, with new rates to take effect on October 1, 2015.

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 30th
day of September 2015.



PAUL KJELLANDER, PRESIDENT

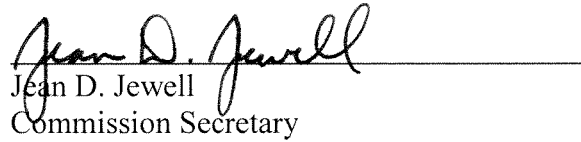


MARSHA H. SMITH, COMMISSIONER



KRISTINE RAPER, COMMISSIONER

ATTEST:



Jean D. Jewell
Commission Secretary

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