

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF)	
AVISTA CORPORATION DBA AVISTA)	CASE NO. AVU-E-00-9
UTILITIES—WASHINGTON WATER POWER)	
DIVISION FOR AUTHORITY TO REVISE)	
ELECTRIC TARIFF SCHEDULE 66—TEMPO-)	
RARY POWER COST ADJUSTMENT—IDAHO)	
AND TO IMPLEMENT A RELATED)	ORDER NO. 28627
SURCHARGE.)	
)	

On November 8, 2000, Avista Corporation dba Avista Utilities—Washington Water Power Division (Avista; Company) in Case No. AVU-E-00-9 filed an Application with the Idaho Public Utilities Commission (Commission) proposing a revision to the Company's electric tariff Schedule 66—temporary Power Cost Adjustment—Idaho. Avista requests that the Commission approve a \$5,708,000, 4.763% Power Cost Adjustment (PCA) surcharge to Avista's customers. The Company, as part of its Application, has filed supporting testimony and exhibits.

The Company's PCA mechanism was first established in Case No. WWP-E-88-3, Order No. 22816 issued October 31, 1989, and has been extended, modified and clarified in a number of subsequent cases (WWP-E-93-3, Order No. 24874; WWP-E-94-4, Order No. 25637; WWP-E-97-10, Order No. 27202; and WWP-E-98-4, Order No. 27824). Since its inception to date of filing, there have been nine rebates totaling \$23,184,000 and four surcharges totaling \$12,477,000, including the surcharge proposed in this filing. An existing rebate, in the amount of \$2,364,000 (1.973%) expires July 31, 2001. Reference Case No. AVU-E-00-02, Order No. 28402. The PCA-related rate changes are limited to no more than two consecutive surcharges or rebates during any 12-month period, July 1 to June 30, and the annual rate change during any 12-month period is limited to 5%.

Avista's PCA is used to track changes in revenues and costs associated with variations in hydroelectric generation, prices in the secondary market, and changes in PURPA power expenses. The PCA rate adjustment mechanism is designed to recover/rebate variances in power supply expenses incurred by the Company. The PCA mechanism tracks changes in the

Company's power supply costs associated with abnormal weather and stream flows. The weather-related portion of the PCA tracks 100% of the variation in hydro generation from the hydro generation authorized, variation in secondary prices from those authorized, and the related variation in thermal generation.

The PCA is also designed to recover contract costs incurred pursuant to the Public Utilities Regulatory Policies Act of 1978 (PURPA) and the related implementing rules and regulations of the Federal Energy Regulatory Commission (FERC) beyond the level included in the Company's general revenue requirement. PURPA contract costs are the result of the Company's federally mandated obligation to purchase the output of qualifying small power and cogeneration facilities and, therefore, are largely outside the control of Avista. The PCA tracks 100% of the changes in costs associated with PURPA contracts.

The Company is allowed to record the difference between actual power supply costs and the level of those costs authorized by the Commission. When the total difference in costs exceed \$2.2 million, the Company may request authority to implement a surcharge or rebate. As reflected in the Company's Application, the \$2.2 million "trigger" was reached and exceeded in both September and October 2000, based on actual data from the preceding month.

Under the Company's proposal in this case, the monthly energy charges of the individual electric rate schedules are to be increased by the following amounts:

Type of Service	Present Sch 66 Rebate Effective 8/1/00; Expires 7/31/01 (1.973%)	Proposed Sch 66 Surcharge 4.763%
Schedules 1 (Residential)	(0.101¢/kWh)	0.245¢/kWh
Schedules 11, 12 (General)	(0.137¢/kWh)	0.305¢/kWh
Schedules 21, 22 (Large General)	(0.095¢/kWh)	0.223¢/kWh
Schedule 25 (Extra Large General)	(0.065¢/kWh)	0.170¢/kWh
Schedules 31, 32 (Pumping)	(0.081¢/kWh)	0.181¢/kWh

Flat rate charges for Company-owned or customer-owned street lighting and area lighting service (Schedules 41-49) under the present rebate are reduced by 1.973% and under the proposed surcharge will be increased by 4.763%. Implementation of the proposed surcharge will result in an increase of 4.763% in the Company's Idaho electric rates or \$2.45 in the monthly bill of an residential customer using 1,000 kWh. The combined effect of both the existing rebate and proposed surcharge is an overall increase of 2.790%, or \$1.44 in the monthly bill of a residential customer using 1,000 kWh. The existing rebate, however, will expire on July 31, 2001.

Avista requested that its Application be processed under Modified Procedure, i.e., by written submission rather than by hearing. Reference Commission Rules of Procedure, IDAPA 31.01.01.201-204. The Company in its filing requested an effective date of January 01, 2001. The Commission in Order No. 28592 suspended the proposed effective date from January 01, 2001 to February 01, 2001.

On December 13, 2000, the Commission issued a Notice of Application and Modified Procedure in Case No. AVU-E-00-09. The deadline for filing written comments or protests was January 3, 2001. Comments were filed by Commission Staff, the City of Wallace and a number of the Company's customers. Comments can be summarized as follows:

Staff Comments

Staff recommends that the Company's proposed \$5,708,000, 4.63% increase be approved by the Commission effective February 1, 2001. The amount requested in the Company's filing represents two surcharge triggers in a two-month period. This, Staff states, is unprecedented in the history of Avista's PCA. The combination of low stream flows and high market prices has caused the Company's power supply cost to be far above normal. Staff thoroughly reviewed the Company's Application and found no discrepancies between reports and source documents. Staff found the amount in the balancing account to be correct. The Company's calculations conform to the currently approved PCA methodology.

Avista understands that its requested increase will add to the burden that many of its customers are already experiencing with its high bills. Staff in its comments summarizes the Company's Comfort Level-Billing Plan, a levelized payment plan that averages a customer's annual bill into equal monthly payments, the Low Income Energy Assistance Program (LIEAP), and Project Share. All programs are available to qualifying Avista customers. Staff also notes

that the Avista web site, <http://www.avistautilities.com>, contains information concerning home energy costs and ways to conserve energy and lower costs. Staff recommends that Avista be directed to continue its efforts providing customers information regarding energy conservation, available payment methods and resources for financial assistance. Specifically, Staff recommends that within 30 days of the Commission's final Order in this case, that the Company provide its customers with an informational pamphlet similar to one prepared by Intermountain Gas Company for distribution to its customers.

Customer Comments

All customers commenting oppose the increase. Their stated concerns include the depressed economy and poverty within the Company's Idaho service area, the income constraints and choices (electric heat, prescription drugs or food) faced by many elderly on Social Security, the Company's poor management decisions, a perceived Company preference for shareholders over customers, the nature of the Company's participation in the wholesale energy market, the Company's lavish spending practices (big executive salaries, signing bonuses, stock options, etc.), a perceived abuse by the Company of its monopoly status and a characterization of the relief requested in this case as a Company bailout.

City of Wallace

The City of Wallace in its comments notes that the effect of Avista's increase on municipalities is to pass the increase onto citizens, not by raising taxes but by reducing services. In reality, the City states, the services are down to the basic minimum and leave no room for reductions. The City is then forced to tighten the belt to absorb these proposed increases which could require the lay off of essential employees such as police and/or firemen. The City of Wallace contends that it would be in the best interest of the citizens of Idaho that before the Commission grant any rate increase to Avista Utilities, it should demonstrate to the Commission cost cutting measures it plans to put into effect to lower its overall expenses.

COMMISSION FINDINGS

The Commission has reviewed and considered the filings of record in Case No. AVU-E-00-9, including the comments of Commission Staff and the letters, faxes and e-mails filed by the Company's customers protesting the proposed increase. In this case the Company requests a 4.763% PCA surcharge in electric rates in accordance with our established procedures. We find that the requested increase cannot be considered in isolation. It was only last week that we held public hearings in Lewiston and Coeur d'Alene regarding the Company's proposed 29% rate increase for natural gas, a request following closely on the heels of a 29% increase granted in September (reference Case No. AVU-G-00-03, ON 28496). Many of the Company's electric customers are also its gas customers.

Avista must demonstrate the "belt tightening" that many customers will have to undertake. It must also ensure that no customer in need is uninformed about available payment methods and resources for financial assistance and of related eligibility criteria. The City of Wallace asks what cost cutting measures the Company has implemented or plans to implement to lower its overall expenses. The question is a fair one and we expect Avista to provide the answer.

Despite the concerns raised by the Company's customers, we find that the public interest regarding the requested change in rates does not require a public hearing to consider the issues presented. Reference IDAPA 31.01.01.204. We also note that the Company's Application is a limited Power Cost Adjustment (PCA) and not a general rate case. The nature of costs included in the PCA are generally costs over which the Company has little or no control. While we recognize that the Company maintains an element of control in its contract practices, as with the Company's gas operations, the Commission finds that our review process has not revealed any out-of-ordinary or imprudent actions on the part of the Company.

Since its inception, the Company's PCA has provided customers with both increases and decreases. It has operated equitably. We note, however, that in the present energy market, short-term market prices have reached unprecedented levels and remained high. Utilities must incur these costs to provide service to their customers. Valid questions are being asked of both utilities who must bear some responsibility for their supply planning and of regulators who have the statutory duty of oversight. Our process of monitoring the Company's practices needs to be more rigorous than ever before. While it still remains true, we recognize that it rings hollow to

remind Avista's customers that the Company's energy rates continue to be some of the lowest rates in the nation even after this surcharge. We recognize that unemployment in the rural towns of northern Idaho is high and wages for many jobs remain low.

The nature of concerns raised by some of Avista's customers seem to indicate that the Company has not been successful in explaining its regulatory filings to its customers. We note from our recent trip north that the Company is seemingly equally unsuccessful in distinguishing regulated utility operations from unregulated affiliate operations and articulating this difference to its customers. Marketing everything under the name of Avista may provide name recognition but also creates confusion. The Company should redouble its efforts to improve its communications with its customers.

We note that the filing we approve with this order represents two surcharge triggers in two consecutive months, certainly unprecedented in the history of Avista's PCA. We will redouble our efforts to advise customers of steps to consider for reducing energy usage in the short term and to encourage long term company specific and regional measures to reduce costs in the long term. The Company's proposed rates and charges are fair, just and reasonable and are approved to be implemented on February 1, 2001.

CONCLUSIONS OF LAW

The Idaho Public Utilities Commission has jurisdiction over this matter and Avista Corporation dba Avista Utilities—Washington Water Power Division, an electric utility, pursuant to the authority and power granted under Title 61, Idaho Code and the Commission's Rules of Procedure, IDAPA 31.01.01.000 *et seq.*

ORDER

In consideration of the foregoing and as more particularly described above, IT IS HEREBY ORDERED that Avista Corporation dba Avista Utilities—Washington Water Power Division be authorized to increase (change) its rates and charges in the manner requested in its Application and as reflected in the tariff schedule submitted in Case No. AVU-E-00-9 for an effective date for implementation of February 1, 2001.

IT IS FURTHER ORDERED that Avista comply with other directives explicitly set out above in the Commission's Findings section of this Order.

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 day of January 2001.

DENNIS S. HANSEN, PRESIDENT

MARSHA H. SMITH, COMMISSIONER

PAUL KJELLANDER, COMMISSIONER

ATTEST:

Jean D. Jewell
Commission Secretary

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