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Attorney for the Commission Staff

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)	COMMENTS OF THE
ELECTRIC TARIFF SCHEDULE 66 -)	COMMISSION STAFF
TEMPORARY POWER COST ADJUSTMENT -)	
IDAHO AND TO IMPLEMENT A RELATED)	
REBATE.)	
_____)	

COMES NOW the Staff of the Idaho Public Utilities Commission, by and through its Attorney of record, Scott Woodbury, Deputy Attorney General, and in response to the Notice of Application, Notice of Modified Procedure and Notice of Comment/Protest Deadline issued on December 13, 2000, submits the following comments.

BACKGROUND

On November 8, 2000, Avista Corporation dba Avista Utilities filed an Application with the Idaho Public Utilities Commission proposing a revision to the Company's electric tariff Schedule 66 - temporary Power Cost Adjustment - Idaho, Case No. AVU-E-00-9. In its Application Avista requests authority to implement a Power Cost Adjustment (PCA) surcharge

in the amount of \$5,708,000, an increase of 4.763%, for an effective date of January 1, 2001. The Company requests that its filing be processed pursuant to Modified Procedure, i.e., by written submission rather than by hearing. Reference Commission Rules of Procedure, IDAPA 31.01.01.201-204. In Order No. 28592 the Commission suspended the proposed effective date for the proposed tariff change from January 1, 2001 to February 1, 2001.

Since the implementation of the PCA methodology, the Commission has approved 9 rebates totaling \$23,184,000 and 3 surcharges totaling \$6,769,000. The ninth rebate, which is currently in effect in the amount of \$2,364,000, was authorized in Order No. 28402, Case No. AVU-E-00-02, and became effective August 1, 2000 and is set to expire July 31, 2001. Attachment 1 summarizes the past rebates and surcharges.

STAFF ANALYSIS - FINANCIAL

The amount requested in the Company's filing represents two surcharge triggers in a two-month period. This is unprecedented in the history of Avista's PCA. The reasons for the PCA triggers are easily explained. Avista's PCA model accumulates differences between normalized power supply costs and modeled costs using actual generation at hydro power plants and actual market prices. Actual hydro generation was significantly below normal in the late summer months as indicated by Attachment 2. Actual market prices were many times above normal as shown on Attachment 3. Low streamflows put the Company in the position of having to purchase more energy than normal and purchase prices were much much higher than normal. Base power supply costs assume an average market price less than \$20/MWh. As shown on Attachment 3, recent market prices are measured in hundreds of dollars per MWh. The combination of low streamflows and high market prices has caused Company power supply costs to be far above normal.

On August 30, 2000, the Commission issued Order No. 28494 that excused the Company from filing to rebate approximately \$3.3 million accrued in the PCA deferral account as of June 2000. The total deferral exceeded the \$2.2 million dollar trigger established by the Commission. Without the Commission's order the Company would have been required to file a rebate request under approved PCA methodology. The Commission's order allowing the Company to carry the June balance forward was based on information filed by the Company and reviewed by the Commission Staff that projected substantially higher than normal power supply costs for the

second half of the year. The top half of Attachment 4 shows the year 2000 accumulations in the balancing account including the approximate \$3.3 million accumulation for rebate in June. It shows that the rebate deferral increased to approximately \$5.6 million in July. Amounts to surcharge totaled approximately \$11.3 million, including adjustments, for August, September and October that netted to the \$5.7 million surcharge requested by the Company. If the June 2000 triggered rebate had been put in place, the Company would have triggered surcharges totaling approximately \$9.0 million by October 2000 instead of the \$5.7 million included in this Application.

Staff conducted an onsite audit at Avista from December 11 through 14, 2000. Included in this audit was an examination of the PCA filing and workpapers. The examination of the current Company filing included an audit of the months of January 2000 through the trigger month September 2000. Staff audited the actual inputs for the PCA formula in detail for the months of August 2000 and September 2000, the two months that reached the trigger for the surcharge. Staff found no discrepancies between the reports and the source documents. Staff also reviewed the reports for the months of January through July, along with the workpapers and supporting documents, and found these were sufficient to verify the accuracy and the legitimacy of the amounts included in the PCA balancing account for those months. Staff also verified various inputs for those months during the onsite audit. Staff found that the “actuals” as booked by the Company and carried into the Company’s exhibits are correct. Staff also verified that the correct “authorized” numbers were carried in the PCA workpapers and that all calculations were done correctly. Staff found the amount of the balancing account to be correct.

STAFF ANALYSIS - CONSUMER

The Application that Avista filed on November 8, 2000 in Case No. AVU-E-00-9 contained both a customer notice and press release. Both met the requirements of Rule 102, Notices to Customers of Proposed changes in Rates in the Utility Customer Information Rules (IDAPA 31.21.02). Avista began sending the notice to customers with the December 11 billing and continuing through the entire billing cycle, which ends near the middle of January due to the holidays.

Between December 13, 2000 and January 2, 2001, the Consumer Assistance Staff took comments via telephone from three customers, all opposed to the increase. The Commission has

received and placed in its case file written comments from 22 customers. All oppose the increase. Several comments indicated a belief that Avista's poor management practices resulted in the need for a rate increase. Another commentator indicated that he believed that Avista was adding insult to injury by rewarding the outgoing CEO with a severance package of several million dollars.

Staff analysis of customer concerns show that these are not matters included in a PCA filing. These matters are usually dealt with in a general rate case. At this time Staff has verified that costs outside the actual hydro generation and actual market prices as previously discussed are not included in this increase. Staff has also verified that the costs incurred by Avista for Mr. T. M. Matthews' salary and severance package are not included in rates and are not part of this increase. These costs are not being passed onto customers. The nature of the concerns raised by customers seem to indicate that the Company has not been very successful at explaining its requested increase or distinguishing the differences in its Washington and Idaho filings to customers.

Avista understands that the requested increase will add to the burden that many of their customers are already experiencing with high bills. The early and extended cold weather has caused a significant increase in usage. Customers' December bills are showing about the same usage as the January bills last year. To help customers more easily budget, Avista offers Comfort Level Billing, which is a levelized payment plan that averages a customer's annual bill into equal monthly payments. Customers can sign up at any time for a 12-month plan that is renewed in the anniversary month each year. Avista evaluates the level payment amounts quarterly and may adjust the payment, depending on usage, up to two times in a year. Approximately 12% of Idaho customers take advantage of Comfort Level Billing. Most of the 13,731 customers that participate are residential customers. Avista can also work out special payment arrangements if a customer is having difficulties paying. For example, a customer can pay a set amount plus the current bill to catch up a past-due amount, or establish a payment plan for a set amount each month (other than the Comfort Level billing). Customers may contact Avista concerning payment arrangements at 1-800-227-9187.

In addition to the arrangements that Avista offers, there are several energy assistance programs available to help low-income customers pay their utility bills. The Low Income Home Energy Assistance Program (LIHEAP), a federally funded program, is administered by the Idaho

Department of Health and Welfare, which subcontracts with Community Action Agencies located throughout Avista's service territory to deliver the services. Energy Assistance benefits are based on income (133% or less of the federal poverty level) and the number of people in the family. For example, a family of four with a monthly income of no more than \$1,890 income or \$4,705 for three months would qualify for assistance. The benefit is a one-time award annually. Help is available from LIHEAP from December 1 through May 31. For this heating season, the average estimated benefit for a family is \$231. From January 20, 2000 through December 20, 2000, 1,887 electric customers received energy assistance grants totaling \$402,684. An additional 904 customers that have both gas and electric service received energy assistance grants of \$164,467. The number of recipients is expected to increase this year, primarily because of the increase in utility rates and greater public awareness of the availability of financial assistance of approved and proposed rate increases. The LIHEAP program has also received increased publicity because of media coverage during Intermountain Gas' recent PGA case that increased their rates. Unfortunately, even though rates rise, the amount of dollars available for energy assistance does not.

Project Share is also administered by the Community Action Agencies in northern Idaho. The guidelines for Project Share are more lenient, since the benefit is based more on need than income. Project Share may be used once annually and the maximum award is \$200. Project Share is funded by donations from utility customers as well as a \$20,000 annual donation to Project Share from the Avista Corporation; that donation provides funding for both Washington and Idaho residents. Project Share determines how much each state will receive from the donation. Project Share receives funds periodically throughout the year, not just during the heating season.

Avista has a number of different payment arrangements to help customers manage their utility bills. There are programs, such as LIHEAP and Project Share, to help low income customers and those with emergency needs pay their utility bills. The Avista web site, <http://www.avistautilities.com>, contains information concerning home energy costs and ways to conserve energy and lower costs. There is an interactive energy audit that many of Avista's customers may find helpful. The Company provided their customers with tips on how to save energy in a billing insert in October 2000.

STAFF RECOMMENDATION

Staff recommends that the Company's proposed \$5,708,000, 4.763 % increase be approved by the Commission effective February 1, 2001. Staff thoroughly reviewed the Company's Application and found no justification on which to base a recommendation for disapproval. The Company's calculations were done correctly using the appropriate numbers as verified by audit. The calculations conform to the currently approved PCA methodology.

The Staff also recommends that Avista be directed to continue their 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, Avista provide its customers with a pamphlet similar to the one shown in Attachment 5, which was prepared by Intermountain Gas Company for distribution to its customers. Intermountain Gas's pamphlet contains information in an easily-understandable format and can be readily adapted to Avista's situation as a provider of both gas and electric service.

Dated at Boise, Idaho, this day of January 2001.

Scott Woodbury
Deputy Attorney General

Technical Staff: Keith Hessing
 Nancy Harman
 Kathy Stockton

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