

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION)
OF AVISTA CORPORATION DBA AVISTA) CASE NO. AVU-E-01-6
UTILITIES – WASHINGTON WATER)
POWER DIVISION (IDAHO) FOR AN ORDER) NOTICE OF APPLICATION
APPROVING PROPOSED SCHEDULE 92 –)
ALL CUSTOMER ELECTRIC ENERGY BUY-) NOTICE OF
BACK PROGRAM.) MODIFIED PRODECURE
)
)
) **NOTICE OF**
) **COMMENT/PROTEST DEADLINE**
)
) **INTERLOCUTORY**
) **ORDER NO. 28720**
)

YOU ARE HEREBY NOTIFIED that on April 16, 2001, Avista Corporation dba Avista Utilities—Washington Water Power Division—Idaho (Avista; Company) filed an Application with the Idaho Public Utilities Commission (Commission) in Case No. AVU-E-01-6. The Company requests approval of a new Tariff Schedule 92—All Customer Electric Energy Buy-Back Program. The purpose of the program is to promote electric conservation by customers and displace higher cost energy that would otherwise be purchased at prevailing market prices. Conservation will be encouraged by providing customers with a financial incentive for energy savings in excess of 5% of the customer’s prior year’s usage.

As background for the program, the Company indicates that short-term market prices for electricity are expected to remain high during the remainder of 2001. The current low snow pack and resulting effect on hydro generation in the region, the Company states, will undoubtedly cause upward pressure on market prices during the coming summer months. Forward market prices range from a low of \$258 per (light load) megawatt-hour during May, to a high of \$511 per (heavy-load) megawatt-hour during August. During this period, the Company states that conservation is obviously the most cost-effective means of minimizing power costs.

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Program Description

All metered customers who have lived at the same address, or who have had the same place of business for the past 12 consecutive months are eligible for the program. The program is designed to provide an additional incentive for each customer to reduce the amount of energy they use.

The program will apply only to a customer's energy usage (kilowatt hour meter). The customer's energy savings and potential bill credit will be calculated independently for each meter. Customer energy usage that is not metered, but billed on a flat rate will not be eligible. Customers who are participating in the Company's other buy-back programs will not be eligible for the period that they are participating in that other program.

Customers will receive a bill credit each month if they reduce their usage by more than 5% as compared to the same month in the prior year. The bill credit will be 5¢ for each kilowatt hour savings in excess of the 5% threshold/dead band. The 5% dead band is adopted in lieu of adjusting usage for weather and other factors.

As proposed, the Schedule 92 program will begin with customer meter readings on May 15, 2001 and end with meter readings on October 12, 2001. The effective period is designed to provide all customers five monthly billings under the program. The Company is proposing that customer meter readings on and after May 15 would include the incentive calculation on their bill based on the entire prior month usage.

Coincident with the Company's filing, and continuing through the remainder of April, the Company will provide a customer bill insert describing the proposed program. A special newsletter will be provided in all customers' bills in May containing similar information shown on the insert. On Commission approval of the program, the Company states that it will begin running several television, radio and newspaper ads describing the program. The Company's web site will also contain information about the program and ways customers can save energy.

Proposed Accounting Treatment

The Company proposes to include the amount paid/credited customers under the program, as well as the total reduction of revenue (lost revenue) experienced by the Company during the program in its Power Cost Adjustment deferral account. Under the Company's proposed changes to the PCA methodology in Case No. AVU-E-01-1, "excess" power costs

incurred by the Company would be deferred. The Company's proposed deferral mechanism includes a revenue adjustment mechanism that would capture lost revenue during the term of the program. The amount associated with bill credits provided under the program would be charged to the deferral account. The Company also requests that it be allowed to defer incremental costs associated with the program promotion and necessary revisions to the Company's billing system. Any costs associated with Company employees, time spent designing, implementing, or administering the program would not be deferred.

Implementation of the program, the Company states, will serve to reduce the balance in the PCA deferral account as opposed to purchasing energy at market prices to serve higher customer energy requirements that would occur without the program. All energy savings by customers that are less than 5% would only impact the deferral account by the amount of lost revenue, an average system level of about 5¢ per kilowatt-hour. For those energy savings that are in excess of 5%, the effective price per kilowatt-hour is about 10¢ (5¢ payment under the program and 5¢ for lost revenue). The potential deferred amount per kilowatt-hour under the program, including lost revenue, the Company contends, obviously represents a substantial savings to customers as compared to purchasing energy at expected market prices of 26¢ to 51¢ per kilowatt hour during the period. All revenue from any excess generation sold into the market by the Company will be credited against the costs in the deferral account.

Avista requests approval of the proposed tariff on or before May 15, 2001.

Commission Findings

The Commission, based on its review of the filings of record in Case No. AVU-E-01-6, finds the proposed electric Tariff Schedule 92 to be reasonable, non-discriminatory, just and otherwise in the public interest.

The Commission further finds it reasonable to authorize implementation of the proposed tariff on the requested May 15, 2001 effective date or at such earlier time as may coincide with the Washington Utilities and Transportation Commission (WUTC) authorized effective implementation of the Company's related tariff filing in the state of Washington.

The Commission makes the further preliminary finding that the Company's proposed accounting treatment and method for recovery of amounts paid/credited to customers and related program expense to be reasonable. The Commission finds it reasonable, however, to solicit and

consider public comment on that portion of the Company's proposed accounting treatment wherein it seeks to recover associated "lost revenue" before approving same.

The Commission finds it reasonable to approve the proposed tariff in an expedited fashion so that consumers have an incentive to begin energy saving steps immediately. The Commission is apprised that Avista is currently paying approximately \$400,000 per day purchasing market priced energy. The Company is paying an average price of 40¢ per kilowatt hour. The conservation promoted by this tariff provides an alternative to buying expensive wholesale power.

In accordance with the foregoing, YOU ARE FURTHER NOTIFIED that the Commission has determined that the public interest regarding the proposed Schedule 92 tariff does not require a hearing to consider the issues presented and that the issues raised by the Application may 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.

YOU ARE FURTHER NOTIFIED that the Commission will not hold a hearing in this proceeding unless it receives written protests or comments opposing the use of Modified Procedure and stating why Modified Procedure should not be used. Reference IDAPA 31.01.01.203.

YOU ARE FURTHER NOTIFIED that pursuant to abbreviated scheduling, the **deadline for filing written comments or protests** with respect to the Company proposed accounting treatment for Schedule 92 (including that portion whereby the Company seeks to recover associated "lost revenue") and the Commission's use of Modified Procedure in Case No. AVU-E-01-6 is **Wednesday, May 9, 2001**. Reference IDAPA 31.01.01.202.02. Persons desiring a hearing must specifically request a hearing in their written protest or comments.

YOU ARE FURTHER NOTIFIED that if no written comments or protests are received within the deadline, the Commission will consider the issue on its merits and enter its Order without a formal hearing. If comments or protests are filed within the deadline, the Commission will consider them and in its discretion may set the matter for hearing or may decide the matter and issue its Order on the written positions before it. Reference IDAPA 31.01.01.204.

YOU ARE FURTHER NOTIFIED that written comments concerning Case No. AVU-E-01-6 should be mailed to the Commission and the Company at the addresses reflected below:

COMMISSION SECRETARY
IDAHO PUBLIC UTILITIES COMMISSION
PO BOX 83720
BOISE, IDAHO 83720-0074

Street Address for Express Mail:

472 W WASHINGTON ST
BOISE, ID 83702-5983

THOMAS D. DUKICH, DIRECTOR
RATES & REGULATION
AVISTA CORPORATION
1411 E. MISSION AVENUE
PO BOX 3727
SPOKANE, WA 99220-3727

and

DAVID J. MEYER
SENIOR VICE PRESIDENT AND GENERAL COUNSEL
AVISTA CORPORATION
1411 E. MISSION AVENUE
PO BOX 3727
SPOKANE, WA 99220-3727

All comments should contain the case caption and case number shown on the first page of this document.

YOU ARE FURTHER NOTIFIED that the Application in Case No. AVU-E-01-6 can be reviewed at the Commission's office and at the Idaho offices of Avista Utilities during regular business hours.

ORDER

In consideration of the foregoing and as more particularly described above IT IS HEREBY ORDERED and the Commission by this Interlocutory Order does hereby approve the proposed Avista Tariff Schedule 92—All Customer Electric Energy Buy-Back Program for effective date May 15, 2001.

IT IS FURTHER ORDERED and the Commission as more particularly described above does hereby approve the foregoing schedule for Modified Procedure and comments on the Company proposed accounting treatment for Schedule 92.

THIS IS AN INTERLOCUTORY ORDER. Any person interested in this Order may file a petition for review within twenty-one (21) days of the service date of this Order with regard to any matter decided in this Order. A petition to review may request that the Commission: (1) rescind, clarify, alter, amend; (2) stay; or (3) finalize this Interlocutory Order.

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After any person has petitioned for review, any other person may file a cross-petition within seven (7) days. *See* Rules 321, 322, 323.03, 324, 325 (IDAPA 31.01.01.321 -325.)

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho, this day of April 2001.

PAUL KJELLANDER, PRESIDENT

MARSHA H. SMITH, COMMISSIONER

DENNIS S. HANSEN, COMMISSIONER

ATTEST:

Jean D. Jewell
Commission Secretary

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