

DECISION MEMORANDUM

**TO: COMMISSIONER KJELLANDER
COMMISSIONER SMITH
COMMISSIONER HANSEN
COMMISSION SECRETARY
COMMISSION STAFF
LEGAL**

FROM: SCOTT WOODBURY

DATE: OCTOBER 20, 2004

**RE: CASE NO. AVU-E-04-4 (Avista)
SCHEDULE 59 BPA RESIDENTIAL AND SMALL FARM ENERGY RATE
ADJUSTMENT CREDIT**

On October 1, 2004, Avista Corp. dba Avista Utilities (Avista; Company) filed an Application with the Idaho Public Utilities Commission (Commission) requesting approval of a change to the Company's Schedule 59 Residential and Farm Energy Rate Adjustment tariff. Avista requests authority to increase the residential and farm energy rate adjustment credit from 0.252¢ per kWh to 0.412¢ per kWh for an effective date of November 1, 2004.

As a northwest regional utility, Avista is entitled to participate in the Residential Exchange Program (REP) that extends the benefits of the Columbia River Federal Power Program to residential and small farm consumers served by investor-owned utilities in the region. Section 5c of the Northwest Power Act, 16 U.S.C. § 839(c). The REP is administered by the Bonneville Power Administration (BPA). A Residential Exchange Settlement Agreement between Avista and BPA settled the parties' rights and obligations for the Residential Exchange Program for the ten-year term of the Agreement, October 1, 2001 through September 30, 2011. Avista uses the energy rate adjustment credit to pass onto its qualifying residential and small farm customers the estimated residential exchange benefits it receives from BPA. The proposed rate credit of 0.412¢ per kWh is designed to pass through the projected balance of accumulated benefits at October 31, 2004, as well as the expected level of benefits to be received from BPA during the period November 1, 2004 through October 31, 2005.

The proposed 0.412¢ credit is a uniform cents per kilowatt hour decrease that will apply to residential and small farm customers served under Schedules 1, 12, 22, 32, and 48. For residential and small farm area lighting customers served under Schedule 48, the proposed credit is applied on a uniform cents per kilowatt hour basis to the energy usages of the various lights covered under that rate schedule. The calculation of the proposed rate credit is shown in Company workpapers. As reflected in the Company's Application, the proposed increase in the rate credit will result in an overall reduction in annual revenue of approximately \$1.7 million. The increase in the rate credit will have no effect on Avista's net income.

The Application in Case No. AVU-E-04-4 was processed pursuant to Modified Procedure. The deadline for filing written comments was October 28, 2004. Commission Staff was the only party to file comments.

STAFF ANALYSIS

Staff has reviewed the Company's Application, workpapers, accounting and calculations. Staff finds the deferral calculations and quantification of the secondary effects of the BPA exchange credit to be correct. Staff believes that the rate calculation is based on reasonable estimates of the money Avista will receive from BPA and the amount of energy Avista will sell to its customers who qualify for the credit. Staff recommends approval of the Company's Application as filed for an effective date of November 1, 2004.

COMMISSION DECISION

Avista requests authority to increase its Schedule 59 Residential and Small Farm Energy Rate Adjustment credit from 0.252¢ per kWh to 0.412¢ per kWh for an effective date of November 1, 2004. Staff recommends that the Company's Application be approved and processed without further notice or procedure for an effective date of November 1, 2004. Does the Commission continue to find it reasonable to process the Company's Application pursuant to Modified Procedure, i.e., by written submission rather than by hearing? Does the Commission find it reasonable to approve the Company's Application without further procedure for a November 1 effective date?

Scott Woodbury

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