

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

**IN THE MATTER OF THE APPLICATION )**  
**OF AVISTA CORPORATION FOR ) CASE NO. AVU-E-06-08**  
**ELIMINATION OF THE TEMPORARY )**  
**RATE ADJUSTMENT TO PASS THROUGH ) ORDER NO. 30166**  
**THE CENTRALIA GAIN )**

On September 14, 2006, Avista Corporation dba Avista Utilities (Avista; Company) filed an Application with the Idaho Public Utilities Commission (Commission) requesting authority to eliminate or zero-out the temporary rate adjustment credits (tariff Schedule 65) that have been used to pass through the customer portion of the gain on the sale of the Centralia Power Plant. The Company expects that the customer portion of the gain on the sale of the Centralia Power Plant will be fully refunded to customers by November 1, 2006. The proposed effective date is November 1, 2006. The Commission in this Order approves Avista's request and requires that any remaining balance be transferred to the Company's Power Cost Adjustment deferral account.

Elimination of the rate credit will result in an overall annual increase in Idaho electric revenue of approximately \$2.5 million or 1.45% and will affect all electric customers. Energy charges for the individual rate schedules are to be increased by the following amounts:

Schedule 1	0.091¢
Schedule 11 and 12	0.124¢
Schedule 21 and 22	0.085¢
Schedule 25	0.059¢
Schedule 31 and 32	0.073¢

Flat rate charges for Street and Area Lighting Service (Schedules 41-49) are to be increased by 1.777%.

**BACKGROUND**

On March 7, 2000, the Commission approved the sale of the Company's interest in the Centralia Power Plant. Reference Order No. 28297, Case No. AVU-E-99-6. The customer portion of the gain was deferred and was originally to be passed on to customers over an eight-

year period. Potlatch's Lewiston facility was initially exempted from receiving any portion of the gain as the facility was served under a special service contract. The Centralia gain rate credits contained on Original Sheet 65 were effective August 1, 2000. Beginning January 1, 2002, Potlatch began receiving service under Schedule 25 – Extra Large General Service and began receiving and has continued to receive the Centralia gain credit applicable to Schedule 25.

In 2004 the Commission approved the sale of Avista's interest in the Skookumchuck hydroelectric generation facility, which is operated to supply cooling water to the Centralia Power Plant. Reference Order No. 29484, Case No. AVU-E-04-2. As proposed by the Company and approved by the Commission, the customer portion of the gain on the sale of Skookumchuck was deferred and added to the deferred gain on the Centralia Power Plant.

The customer portion of the net of tax Centralia gain amounted to approximately \$7,507,000 and the customer portion of the net of tax Skookumchuck gain amounted to approximately \$154,000. The Company expects that the total amount of the net of tax gains of approximately \$7,661,000, and the benefit of a carrying cost on the unamortized gains, will have been passed on to customers at the end of October 2006. The shorter pass-through period is due primarily to having Potlatch receive the gain credit applicable to Schedule 25 beginning January 1, 2002. In addition, customer loads have grown since the gain credits were made effective on August 1, 2000, also resulting in a shorter pass-through period. The Company proposes that any under-refunded or over-refunded balance on November 1, 2006 be transferred to the deferred Power Cost Adjustment (PCA) deferral account as well as the remaining balance of associated deferred federal income tax.

Avista proposes that the Centralia gain temporary rate credits be eliminated effective November 1, 2006. Elimination of the temporary rate credits will result in an overall increase in annual revenue of approximately \$2.5 million. A residential customer using 1,000 kilowatt-hours per month will see an increase of \$0.91 or 1.45% in their monthly bill due to the elimination of the temporary rate credit.

On September 28, 2006, the Commission issued Notices of Application and Modified Procedure in Case No. AVU-E-06-8. The deadline for filing written comments was October 19, 2006. Comments were filed by a customer of the Company who is retired and on a fixed income and cannot afford continuous rate increases. Comments were also filed by Commission Staff. Staff performed an on-site audit of the journal entries associated with the Centralia gain credit.

Staff contends that the calculation of the monthly Centralia gain credit was properly calculated and accounted for. Staff concurs in the Company's proposal to eliminate or zero out the temporary Centralia (Skookumchuck) tariff Schedule 65 rate adjustment credit for a November 1, 2006 effective date. Staff recommends that any under-refunded or over-refunded balance on November 1, 2006 be transferred (as well as the remaining balance of associated deferred federal income tax) to the deferred PCA deferral account. Staff further recommends that the Company include the Centralia gain credit balance as a line item in the PCA deferral account.

***Commission Findings***

The Commission has reviewed the filings of record in Case No. AVU-E-06-8 including the comments and recommendations of Commission Staff and those of the Company's customer. The Commission continues to find it reasonable to process the Company's Application pursuant to Modified Procedure, i.e., by written submission rather than by hearing. IDAPA 31.01.01.204.

Addressing first the concerns raised by the Company customer we note that the Commission has little discretion but to eliminate a credit once it has been fully paid out. However, recognizing that the end result is an increase in rates we take this opportunity to encourage those customers who qualify for energy assistance to apply for federally-funded Low Income Home Energy Assistance Program (LIHEAP) and other non-profit fuel funds such as Project Share. For more information regarding assistance programs, customers may call the local Community Action Partnership agency (CAPAI), Avista Utilities, the Idaho Public Utilities Commission, or for other community resources call the 2-1-1 Idaho Care Line.

Avista has filed an Application seeking to eliminate or zero out the temporary rate adjustment credits (tariff Schedule 65) that have been used to pass through the customer portion of the gain on the sale of the Centralia Power Plant (also Skookumchuck). The Commission is confident based upon the audit of Commission Staff that the Company has appropriately accounted for the customer's share of profits related to its sale of Centralia and Skookumchuck. Finding it probable that the customer portion of gain will be fully credited to customers by approximately November 1, 2006, the Commission finds the recommendation of the Company to eliminate or zero out the temporary Schedule 65 rate adjustment credit for a November 1, 2006 effective date to be fair, just and reasonable. We agree also that it is appropriate to transfer any under-refunded or over-refunded balance on November 1, 2006 (as well as the remaining balance

of associated deferred income tax) to the Company's Power Cost Adjustment deferral account and require the Company to include the Centralia gain credit balance as a line item in the PCA deferral account.

### **CONCLUSIONS OF LAW**

The Idaho Public Utilities Commission has jurisdiction over Avista Corporation dba Avista Utilities, an electric utility, pursuant to the authority granted in Title 61, Idaho Code, and the Commission's Rules of Procedure, IDAPA 31.01.01.000 *et seq.*

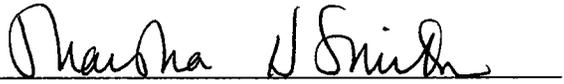
### **ORDER**

In consideration of the foregoing and as more particularly described and qualified above, IT IS HEREBY ORDERED and the Commission does hereby approve the Company's proposal to eliminate or zero out the electric tariff Schedule 65 temporary rate adjustment credit used to pass through the Centralia/Skookumchuck gain for an effective date of November 1, 2006.

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 31<sup>st</sup>  
day of October 2006

  
PAUL KJELLANDER, PRESIDENT

  
MARSHA H. SMITH, COMMISSIONER

  
DENNIS S. HANSEN, COMMISSIONER

ATTEST:

  
Jean D. Jewell  
Commission Secretary

bls/O:AVU-E-06-08\_sw