

Agenda Date: October 8, 2008
Item Number: A6

Docket: UE-081769
Company Name: Avista Corporation d/b/a Avista Utilities

Staff: Thomas Schooley, Regulatory Analyst

Recommendation

Take no action thereby allowing Avista's Schedule 59 tariff revision to go into effect on November 1, 2008, by operation of law.

Background

On September 30, 2008, Avista Corporation d/b/a Avista Utilities ("Avista" or "the company") filed a revision to Schedule 59 of its tariff, which is titled the "Residential and Farm Energy Rate Adjustment - Washington," but more commonly known as the "BPA residential exchange credit." This schedule passes through to Avista's residential and small farm customers benefits of the federal power system that are supplied by the Bonneville Power Administration ("BPA") through a contract in accordance with Section 5(c) of the Pacific Northwest Electric Power Planning and Conservation Act.¹ This law requires that residential exchange credit benefits be passed through directly to a utility's qualifying residential and small farm customers. Avista's payment from the BPA will be based on actual energy usage by the utility's eligible customers.

In accordance with federal law, the BPA's payments to Avista are based on the difference between Avista's average system cost and the preference exchange rate determined by the BPA in the Administrator's Final Record of Decision issued September 22, 2008, in BPA's WP-07 Supplemental Wholesale Power Rate Case.² As a result of this decision, the exchange credit payments the BPA makes to Avista have been adjusted to reflect certain past overpayments the BPA determined were made during the period 2002 to 2007 under the exchange credit program. Presently, the net BPA contract payment to Avista will be nearly \$3 million per year of which 67.55 percent is allocated to Washington.³ Avista's average system cost is \$46.05 per megawatt-hour.

The proposed revision to Avista's Schedule 59 reflects the residential exchange credit at a level of 0.087 cents per kilowatt-hour (kWh) - a reduction from the current 0.29 cents per kWh. The decrease in the credit to 0.087 cents per kWh results in an increase in the monthly electric bill of \$2.03 to a customer using 1,000 kWhs per month, or about 3.0 percent. The proposed residential

¹ 16 U.S.C. § 839c(c).

² 2007 Supplemental Wholesale Power Rate Case Administrator's Final Record of Decision (*DOE/BP #3929*).

³ A more thorough discussion of the history of the BPA residential exchange will occur at the October 8 open meeting.

exchange credit is far less than the credit available prior to June 2007 when the program ceased. See table below.

	Rate (cents/kwh)	Impact per month
Average Customer Use		1,000 kilowatt-hours
As proposed	0.087	\$0.87
Prior to June 2007	0.523	\$5.23

Based on the payment Avista will receive from the BPA, Staff considers Avista's proposed revision to its Schedule 59 tariff to be properly calculated.

Conclusion

Staff recommends that the commission take no action thereby allowing Avista's Schedule 59 tariff revision to go into effect November 1, 2008, by operation of law.