

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION
COMMISSION

In the Matter of the Petition of
AVISTA CORPORATION, d/b/a
AVISTA UTILITIES

For a Modification to the Accounting
Benefits for Residential and Small Farm
Customers

DOCKET NO. UE-021124

ORDER GRANTING THE PETITION
MODIFYING THE ACCOUNTING OF
BENEFITS RECEIVED FROM
BONNEVILLE POWER
ADMINISTRATION

BACKGROUND

- 1 On August 30, 2002, Avista Corporation d/b/a Avista Utilities, (“Avista” or the “Company”) filed a Petition and accompanying tariff revision, Second Revision Schedule 59, with this Commission pursuant to WAC 480-09-420 (7), seeking an order approving a modification to the residential and small farm energy rate adjustment credit from 0.350¢ per kilowatt-hour to 0.379¢ per kilowatt-hour effective October 1, 2002. The purpose of the energy rate adjustment credit is to pass through to qualifying electric residential and small farm customers the estimated benefits to be derived under the Residential Exchange Settlement Agreement between Avista and the Bonneville Power Administration (BPA). The proposed rate credit of 0.379¢ per kilowatt-hour is based on estimated benefits for the second Contract Year of the ten-year Agreement which covers the period October 1, 2002, through September 30, 2003, as well as an estimated true-up for the first contract year.

- 2 By its Order dated September 14, 2001, in Docket No. UE-011143 the Commission approved the implementation of the residential and small farm energy rate adjustment credit as well as the accounting and true-up mechanism proposed by the Company. As a result of the Settlement Agreement with BPA, all benefits to the Company at the present are deferred to Account 254 – Other Regulatory Liabilities. A separate subaccount is used to distinguish the residential exchange from other items that may be included in Account 254. Account 254 is amortized by debiting Account 254 and crediting Account 407.4 – Regulatory Credits by an amount equal to the amount of revenue credit passed through to customers during the month. The balance in Account 254 reflects the difference between actual benefits and the amount of credit passed on to qualifying customers. Associated deferred federal income taxes are also included in the Account. The carrying charge is calculated on the balance in Account 254 less associated deferred income taxes at the rate of 9.03%, the overall rate of return authorized in Docket No. UE-991606.

3 The Company requests that the carrying charge for the residential exchange be revised to be the same as the carrying charge for the energy cost deferral balance per the stipulation approved in the Company's recent general rate case, Docket No. UE-011595. The carrying charge for the energy deferral balance is the Company's actual cost of debt, updated semi-annually, with semi-annual compounding. For consistency, the Company requests that on October 1, 2002, the same carrying charge that is applied to the energy cost deferral be applied to the residential exchange balance.

4 Commission Staff recommends the proposed accounting and true-up mechanism be approved. Furthermore, Commission Staff recommends that the proposed accounting remain in effect over the life of the contract enabling Avista to track future benefits to its customers by filing tariff revisions to Schedule 59. Finally, Commission Staff recommends the Commission allow the proposed revisions to Schedule 59 as filed for an effective date of October 1, 2002.

FINDINGS

THE COMMISSION FINDS:

- 5 (1) Avista Corporation is a public service company furnishing electric and gas service within the state of Washington and is subject to the regulatory authority of the Commission as to its rates, service, facilities and practices.
- 6 (2) The proposal to amend the carrying charge for benefits received from Bonneville Power Administration under the contract for exchange benefits to be consistent with the carrying charge for the energy cost deferral is reasonable and should be approved for the remaining life of the contract.

ORDER

THE COMMISSION ORDERS:

- 7 (1) The Company is authorized to change the carrying charge it accrues to amounts it receives in benefits from Bonneville Power Administration for residential exchange benefits. The carrying charge shall be consistent with the carrying charge accrued in the Company's energy cost deferral beginning October 1, 2002.
- 8 (2) The Company is authorized to continue the accounting procedures for exchange benefits previously authorized in Docket No. UE-011143.

- 9 (3) Nothing herein shall be construed to waive or otherwise impair the jurisdiction of the Commission over the rates, services, accounts and practices of Applicant, Avista Corporation.
- 10 (4) The Commission retains jurisdiction to effectuate the provisions of this Order.

DATED at Olympia, Washington, and effective this 25th day of September, 2002.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

CAROLE J. WASHBURN, Secretary