

Agenda Date: February 11, 2010  
Item Number: A1

**Docket:** UE-100068  
Company: Avista Corporation d/b/a Avista Utilities

Staff: Danny Kermode, Regulatory Analyst

### **Recommendation**

Take no action, thereby allowing Avista Utilities' tariff filing in Docket UE-100068 to become effective on February 12, 2010, by operation of law.

### **Discussion**

On January 8, 2010, Avista Utilities (Avista or company) filed with the Utilities and Transportation Commission (commission) a revision to its Electric Recovery Mechanism (ERM) surcharge tariff in Schedule 93 of its electric tariff WN U-28. The filing reduces the company's surcharge to zero. The average Avista residential customer who uses 1,000 kilowatts a month will see a 7 percent or \$5.35 reduction in their monthly electric bill from \$77.14 to \$71.79.

The surcharge was first established in July 2002. It was designed to recover ordinary variations in hydropower and purchased gas costs. Since its establishment, the surcharge provided for the partial recovery of weather-normalized electric generation and purchased power and fuel costs that exceeded the base power supply costs embedded in rates.<sup>1</sup>

Last year's persistent natural gas price declines along with the return of near-normal spring runoff supporting the generation of cheaper hydropower have been driving forces in the continued decrease in the ERM deferral balance. The company estimates the deferral balance will reach zero, or become a credit balance, by the end of this month (February). Since the balance will reach zero, this filing is in compliance with the settlement stipulation in Docket UE-011595 which requires at that point the tariff to be eliminated.<sup>2</sup> The settlement stipulation also provides for the continued accrual of future deferred costs and benefits, but without current recovery, until the deferral account reaches 10 percent of base retail revenues. Once the deferred ERM balance exceeds the 10 percent of base retail revenues benchmark, the company is expected to file a tariff change to implement a new surcharge or rebate. Based on rates recently approved in Docket UE-090134, the amount of the deferred ERM trigger amount is \$40.3 Million.

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<sup>1</sup> The commission allowed Avista to recover an extraordinary cost through Schedule 93 related to Enron contract termination (recovered from January 2004 to December 2006).

<sup>2</sup> *WUTC v. Avista Corporation, d/b/a Avista Utilities*, Docket UE-011595, Fifth Supplemental Order; Appendix A, Settlement Stipulation at 7-8.

## **Conclusion**

The Electric Recovery Mechanism has been in place for over seven years, allowing Avista the opportunity to recover the prudently incurred costs of providing service while, through the “dead band” (which is a monetary threshold that prevents recovery of one-hundred percent of costs), maintaining the incentive to control costs. Staff believes the company’s revision to its tariff Schedule 93 is consistent with the terms of the settlement stipulation approved by the commission and is in the public interest. Therefore, Staff recommends that the commission take no action, thereby allowing Avista’s tariff filing in Docket UE-100068 to become effective on February 12, 2010, by operation of law.