

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION)	
OF AVISTA CORPORATION DBA AVISTA)	CASE NOS. AVU-E-10-01
UTILITIES FOR AUTHORITY TO)	AVU-G-10-01
INCREASE ITS RATES AND CHARGES FOR)	
ELECTRIC AND NATURAL GAS SERVICE)	NOTICE OF APPLICATION
IN IDAHO)	
)	NOTICE OF
)	INTERVENTION DEADLINE
)	
)	ORDER NO. 31038

On March 23, 2010, Avista Corporation dba Avista Utilities filed an Application seeking authority to increase the Company's general rates for electric and natural gas service in Idaho by averages of 14% and 3.6%, respectively. If approved, the Company's revenues for electric base rates would increase by \$32.1 million annually. Company revenues for natural gas rates would increase by \$2.6 million annually. The Company requests an effective date of April 23, 2010, for its proposed electric and natural gas rate increases.

NOTICE OF APPLICATION

Avista is a public utility primarily engaged in the generation, transmission and distribution of electric power and the distribution of natural gas in portions of eastern and central Washington and northern Idaho, as well as distribution of natural gas in northeast and southwest Oregon. Avista serves about 121,000 customers in Idaho. The Company's existing Idaho rates and charges for electric and gas service were approved by the Commission on July 17, 2009, and became effective on August 1, 2009. Order No. 30856.

The Company maintains that its proposed revenue increases are driven primarily by increased power supply costs, increased costs to meet additional compliance requirements, the need to replace aging infrastructure, and changes in other various costs of providing electric and natural gas services to its customers. Application at 3. The Company anticipates capital expenditures of approximately \$420 million over the next two years to assure reliability in serving its current customers and meeting customer growth. *Id.* at 6. The Company asserts that it has taken measures to cut costs and increase operating efficiencies in an effort to mitigate a portion of its cost increases. *Id.* at 5.

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Evidence in support of the Company's need for a rate increase for electric and natural gas is based on a 12-month test year ending December 31, 2009. *Id.* at 4. The Company is requesting an overall rate of return of 8.55% with a proposed 10.9% return on equity. *Id.* at 6. Avista asserts that it will notify each customer of the proposed rate increases through a bill stuffer during a billing cycle and by issuing a news release.

A. Electric Service

The Company contends that its proposed increase in electric rates is primarily driven by an increase in production and transmission expenses. The Company maintains that 80% of its overall request for an increase is due to the additional costs of the Lancaster plant Power Purchase Agreement, the termination of some low-cost power purchases, reduced hydro generation, and increased fuel costs and higher retail loads. Morris Direct at 9.

The proposed increase for a residential customer using an average of 964 kilowatt-hours (kWh) per month is \$11.40 per month, or a 14.6% increase. This includes a Company-proposed increase in the basic/customer charge from \$4.60 to \$6.75 per month. Ehrbar Direct at 4. The Company is not proposing any changes to the present rate structures *within* its electric schedules. *Id.* at 5.

B. Gas Service

Avista asserts that its proposed increase in natural gas rates is primarily driven by the inclusion in this case of the increased plant investment and inventory associated with the transfer of additional capacity and deliverability in the Jackson Prairie Storage facility from Avista Energy to Avista Utilities effective May 1, 2011. Morris Direct at 10. The proposed increase for a residential customer using an average of 63 therms of gas per month would be \$2.77 per month, or a 4.9% increase. As part of this increase, the Company is proposing an increase in the monthly customer charge from \$4.00 to \$6.75 per month, to recover a more reasonable level of fixed costs. Ehrbar Direct at 6. The Company is not proposing any changes to the present rate structures *within* its gas service schedules. *Id.* at 29.

The proposed percentage increases by rate schedules for electric and natural gas service are reflected in the tables below.

Proposed Electric Increase by Percentage

Residential (Sch. 1)	15.1%
Commercial (Sch. 11)	14.2%
Large Commercial (Sch. 21)	14.7%
Industrial (Sch. 25)	12.5%
Clearwater Paper (Sch. 25P)	10.5%

Proposed Natural Gas Increase by Percentage

Residential & General Service (Sch. 101)	4.4%
Large Commercial (Sch. 111)	1.0%
Interruptible Service (Sch. 131)	1.9%

YOU ARE HEREBY NOTIFIED that Avista's intrastate revenue requirement, and every component of it, both rate base and expense, are at issue. The Commission may grant, deny, or modify the revenue requirement requested and may find a revenue requirement different from that proposed by any party is just, fair and reasonable. IDAPA 31.01.01.124.01.

YOU ARE FURTHER NOTIFIED that the rates and charges of all Avista retail customers, both recurring and non-recurring, including those of special contract customers, are at issue, and every component of every existing and proposed rate and charge is at issue. The Commission may approve, reject or modify the rates and charges proposed and may find that rates and charges different from those proposed by any party are just, fair and reasonable. IDAPA 31.01.01.124.02.

YOU ARE FURTHER NOTIFIED that the Commission may approve, reject or modify existing or proposed relationships between and among rates and charges within, between or among customer classes or rate groupings and may approve, reject or modify existing or proposed relationships among and between customer classes or rate groupings. IDAPA 31.01.01.124.02.

YOU ARE FURTHER NOTIFIED that the Commission may abolish, reduce or create rate blocks or categories of rates and charges, abolish, create or reduce components of rates and charges, abolish, reduce or create customer classes or rate groupings, and abolish, reduce or create absolute or relative differences among and between existing classes or rate groupings of customers. IDAPA 31.01.01.124.02.

YOU ARE FURTHER NOTIFIED that the tariffs, practices, rules and regulations, service, instrumentalities, equipment, facilities, classifications, and customer relations of the utility are at issue, and the Commission may address any of them in its order. IDAPA 31.01.01.124.02.

YOU ARE FURTHER NOTIFIED that all hearings and prehearing conferences in this matter will be held in facilities meeting the accessibility requirements of the Americans with Disabilities Act (ADA). Persons needing the help of a sign language interpreter or other assistance in order to participate in or to understand testimony and argument at a public hearing may ask the Commission to provide a sign language interpreter or other assistance at the hearing. The request for assistance must be received at least five (5) working days before the hearing by contacting the Commission Secretary at:

IDAHO PUBLIC UTILITIES COMMISSION
PO BOX 83720
BOISE, IDAHO 83720-0074
(208) 334-0338 (Telephone)
(208) 334-3762 (FAX)
E-mail: secretary@puc.idaho.gov

SUSPENSION

After reviewing the Application in this matter, the Commission finds it will be unable to consider the Application before the proposed effective date of April 23, 2010, because of other demands on the Commission's time and the complexity of the issues. The Commission further finds that the Application is of sufficient importance to require the Commission's investigation of the reasonableness of the proposed increase in rates and charges. Consequently, the proposed rate changes subject to this Application are suspended for a period of thirty (30) days plus five (5) months from the proposed effective date of April 23, 2010. *Idaho Code* §§ 61-622 and 61-623.

YOU ARE FURTHER NOTIFIED that the Application and supporting workpapers, testimonies and exhibits have been filed with the Commission and are available for public inspection during regular business hours at the Commission offices. The Application and testimonies are also available on the Commission's web site at www.puc.idaho.gov by clicking on "File Room" and then "Electric Cases" and/or "Gas Cases."

YOU ARE FURTHER NOTIFIED that all proceedings in this case will be held pursuant to the Commission's jurisdiction under Title 61 of the Idaho Code and specifically *Idaho Code* §§ 61-502, 61-622, and 61-623. The Commission may enter any final Order consistent with its authority under Title 61.

YOU ARE FURTHER NOTIFIED that all proceedings in this matter will be conducted pursuant to the Commission's Rules of Procedure, IDAPA 31.01.01.000 *et seq.*

NOTICE OF INTERVENTION DEADLINE

YOU ARE FURTHER NOTIFIED that **persons desiring to intervene** in this matter for the purpose of presenting evidence or cross-examining witnesses at hearing **must file a Petition to Intervene** with the Commission pursuant to this Commission's Rules of Procedure 72 and 73, IDAPA 31.01.01.072 and -.073. Persons intending to participate at the hearing must file a Petition to Intervene **no later than fourteen (14) days from the service date of this Order**. Persons desiring to present their views without parties' rights of participation and cross-examination are not required to intervene and may present their comments without prior notification to the Commission or the parties.

YOU ARE FURTHER NOTIFIED that the Commission Secretary shall issue a Notice of Parties after the deadline for intervention has passed. The Notice of Parties shall assign exhibit numbers to each party in this proceeding.

YOU ARE FURTHER NOTIFIED that once the Notice of Parties is issued, the Staff counsel will convene an informal prehearing conference for the purpose of discussing a schedule to process this case, the service of discovery, and other issues raised by the parties. Parties desiring to participate by phone should contact Staff counsel for teleconference instructions.

YOU ARE FURTHER NOTIFIED that the following persons are designated as Avista's representatives in this matter:

DAVID J. MEYER
VICE PRESIDENT & CHIEF COUNSEL, REG. & GOV'T AFFAIRS
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SPOKANE, WA 99220-3727
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KELLY NORWOOD
VICE PRESIDENT – STATE & FEDERAL REGULATION
AVISTA UTILITIES
PO BOX 3727
1411 EAST MISSION AVENUE
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E-mail: kelly.norwood@avistacorp.com

ORDER

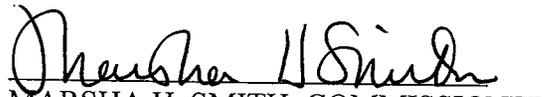
IT IS HEREBY ORDERED that the proposed increase in rates and charges submitted by Avista is suspended for a period of thirty (30) days plus five (5) months from the proposed effective date of April 23, 2010, or until such time as the Commission issues an Order accepting, rejecting, or modifying the proposed schedules in this matter.

IT IS FURTHER ORDERED that persons desiring to intervene in this matter for the purpose of presenting evidence or cross-examination at hearing shall file a Petition to Intervene with the Commission no later than fourteen (14) days from the service date of this Order.

IT IS FURTHER ORDERED that discovery is available in these consolidated cases pursuant to the Commission's Rules of Procedure, IDAPA 31.01.01.221-234.

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 8th day of April 2010.


JIM D. KEMPTON, PRESIDENT


MARSHA H. SMITH, COMMISSIONER


MACK A. REDFORD, COMMISSIONER

ATTEST:


Jean D. Jewell
Commission Secretary

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