

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION)	CASE NOS. AVU-E-12-08
OF AVISTA CORPORATION DBA AVISTA)	AVU-G-12-07
UTILITIES FOR AUTHORITY TO)	
INCREASE ITS RATES AND CHARGES FOR)	NOTICE OF APPLICATION
ELECTRIC AND NATURAL GAS SERVICE)	
IN IDAHO)	NOTICE OF
)	INTERVENTION DEADLINE
)	
)	ORDER NO. 32671

On October 11, 2012, Avista applied to the Commission for authority to increase its electric base rates by \$11.4 million (4.6%) and its natural gas base rates by \$4.6 million (7.2%). Application at 1. The Company says its request would increase the average residential customer's (1) electric bill by \$4.20 (5.3%); and (2) natural gas bill by \$4.12 (7.8%). *Id.* at 11. The Company asks for the new rates to take effect on April 1, 2013. *See* Amendment to Application.¹

NOTICE OF APPLICATION

YOU ARE HEREBY NOTIFIED that Avista generates, transmits, and distributes electric power, and distributes natural gas in parts of eastern and central Washington and northern Idaho. It also distributes natural gas in northeast and southwest Oregon. The Commission approved the Company's existing Idaho rates and charges on September 30, 2011, and they took effect in October 2011. Application at 2-3, *citing* Order No. 32371.

YOU ARE FURTHER NOTIFIED that the Company claims its existing rates are not fair, just, and reasonable, and that it must increase rates and revenues to enable it to earn a fair

¹ In its Application, the Company requested a November 10, 2012 effective date and asked the Commission to suspend that date for 30 days and 5 months. The Company requested the suspension in recognition of Commission Order No. 32371, which was issued in the Company's last rate case and approved a stipulation that states:

8. Limitation on Effective Date of Any New Rates Established By Subsequent General Rate Filing. The Company agrees that it will not seek to make effective a change in base electric or natural gas rates prior to April 1, 2013, by means of a general rate filing. (*Any filing of a general rate case, however, may be made prior to April 1, 2013, but shall not request an effective date prior to April 1, 2013.*)

(Italics added). On October 25, 2012, the Company filed an Amendment to Application and new proposed tariff sheets that changed the requested effective date to April 1, 2013. *See* Amendment to Application. This Order collectively refers to the Application and the Amendment to Application as the "Application."

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return on its investment. The Company seeks an 8.46% rate of return, which includes a 50% equity ratio, a 6.02% pro forma cost of debt, and a 10.9% return on equity. Application at 3-4. The Company says its proposed percentage increases by rate schedule for electric and natural gas service are reflected in the tables below:

Proposed Electric Increase by Percentage

Service Schedule	Proposed Increase in Billed Revenues
Residential Service Schedule 1	5.3%
General Service Schedules 11 & 12	4.1%
Large General Service Schedules 21 & 22	4.8%
Extra Large General Service Schedule 25	3.9%
Extra Large General Service Schedule 25P	3.3%
Pumping Service Schedules 31 & 32	5.7%
Street & Area Lighting Schedules 41-48	4.5%
Overall Increase	4.6%

Proposed Natural Gas Increase by Percentage

Service Schedule	Proposed Increase in Billed Revenues
General Service Schedule 101	7.8%
Large General Service Schedule 111	5.7%
Interruptible Sales Service Schedule 131	5.9%
Transportation Service Schedule 146 (excluding natural gas costs)	12.8%
Overall Increase	7.3%

See Direct Testimony of Scott L. Morris at 19-20.

YOU ARE FURTHER NOTIFIED that the Company says its evidence supporting the requested rate increase is based on a 12-month test year ending June 30, 2012, and that the following investment-and-expense increases drive its need for rate relief: (1) increases in net plant investment (including return on investment, depreciation and taxes, and offset by the tax benefit of interest); and (2) increases in distribution, operation and maintenance, and administrative and general expenses, which are partially offset by reduced net power supply and transmission expenditures. Application at 3-4.

YOU ARE FURTHER NOTIFIED that the Company explains that much of its need for rate relief is driven by increased costs associated with the need to expand and replace its aging utility infrastructure, and its obligation to reliably serve customers. *Id.* at 5. Notably, the

Company plans to make \$500 million in capital expenditures from 2012-2013 to account for customer growth, investment in generation upgrades and transmission and distribution facilities, and maintenance and replacements of the Company's natural gas systems. The Company plans to make \$1.2 billion in capital expenditures through December 31, 2016. *Id.* at 6.

YOU ARE FURTHER NOTIFIED that the Company says it will notify each customer of the proposed rate increases through a bill stuffer during a billing cycle, a news release, and individual bill inserts. *Id.* at 12.

YOU ARE FURTHER 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

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.

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
Avista Corporation
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Spokane, WA 99220-3727
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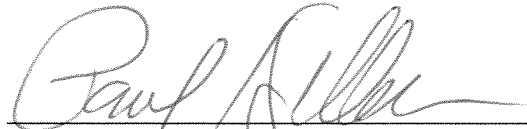
Kelly Norwood
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Avista Utilities
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Spokane, WA 99220-3727
E-mail: kelly.norwood@avistacorp.com

ORDER

IT IS HEREBY 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.

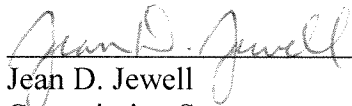
DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 30th
day of October 2012.


PAUL KJELLANDER, PRESIDENT


MACK A. REDFORD, COMMISSIONER


MARSHA H. SMITH, COMMISSIONER

ATTEST:


Jean D. Jewell
Commission Secretary

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