
IDAHO PUBLIC UTILITIES COMMISSION

For Immediate Release

Case No. AVU-E-04-1, AVU-G-04-1

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Contact: Gene Fadness (208) 334-0339

Website: www.puc.state.id.us

March 16 hearing set in Avista electric, gas case

Boise – The Idaho Public Utilities Commission scheduled a March 16 pre-hearing conference regarding Avista Utilities' application to increase both its electric and gas rates. The commission also suspended for six months Avista's request for a March 10 effective date for the proposed new rates.

The purpose of the pre-hearing conference is to schedule future hearings and identify the parties that want to formally intervene in the case. Intervenors become a formal party to the case, allowing them to present evidence, cross-examine witnesses, make and argue motions and participate in settlement or negotiation conferences. The deadline for parties to file a petition to intervene is March 12. Citizens who want to present their views but do not seek intervention status can do so through written comments or by testifying at public hearings to be announced at a future date.

Avista is requesting an average 24.1 percent increase in electric rates and a 9.2 percent average increase in gas rates. Avista is also proposing a reduction in its annual power cost adjustment surcharge that would lessen the 24.1 increase to residential customers to 13.5 percent. Avista is also proposing an increase in the monthly customer service charge from \$4 to \$5 per month for electric customers.

The commission's staff of auditors, engineers and attorneys has begun a thorough investigation of the utility's proposal. Public workshops, a technical hearing and public hearings will be scheduled. The commission will receive comments and testimony from the public, its staff and intervenors. The commission can accept, reject or modify the company's proposal.

According to the company's calculations, a residential electric customer using 1,000 kWh a month would see an increase from \$60.15 to \$68.37 if Avista's proposal were accepted. That includes the proposed reduction in the power cost adjustment surcharge. Avista's proposed electric increases for other customer classes, including the proposed reduction in the power cost surcharge, are 8.7 percent for general service, 10.1 percent for large general service and 12.1 percent for irrigation customers.

Avista claims the electric increase is needed because of the addition of new generation, a reduction in wholesale sales revenue, increased natural gas costs, a decline in electric use by customers, record low-water conditions and unprecedented high wholesale market prices that resulted in credit ratings below investment grade and increased financing costs.

Gas rates for residential customers would increase by 10 percent under Avista's proposal from 78.69 cents per therm to 86.56 cents. The company proposes an increase from \$3.28 to \$5 per month in the customer service charge for gas customers. Under the company's proposal, the monthly bill for a residential gas customer using an average of 70 therms of natural gas would increase from \$57.68 to \$63.26.

The company claims the gas rate increase is needed because of a decline in natural gas use by customers, a growth in the number of customers and general increases in expenses since the last rate increase 14 years ago.

Last fall, the commission extended for one year a 19.4 percent surcharge added to electric customers' bills to recover costs associated with the record-low stream flow conditions and high market prices during the energy crisis of 2000-01. Under the company's proposal, that surcharge would be reduced and spread over two years, reducing the size of the general rate increase on customers.

In that same power cost adjustment case last fall, commission staff recommended that the commission deny Avista authority to collect nearly \$12 million from customers in expenses resulting from two fuel purchases for the company's Coyote Springs II gas-fired generating plant. In order to allow Avista an opportunity to defend the fuel purchases, the commission agreed to defer the matter to this rate case. Also at issue in this rate case will be a request by Avista to implement an automated meter-reading program. The proposed upgrades to electric and gas meters will take four years beginning in 2005 at a cost of about \$16.3 million. Avista will not seek an increase in rates at this time to recover costs associated with the proposed program.

Copies of the company's application, together with testimony, exhibits and workpapers are available on the commission's Web site at www.puc.state.id.us. Click on "Avista Rate Case," under the "Hot" items in the upper-right hand corner.

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