

DECISION MEMORANDUM

TO: COMMISSIONER REDFORD
COMMISSIONER SMITH
COMMISSIONER KEMPTON
COMMISSION SECRETARY
COMMISSION STAFF
LEGAL
WORKING FILE

FROM: TERRI CARLOCK
JOE LECKIE

DATE: FEBRUARY 1, 2008

SUBJECT: AVISTA CORPORATION DBA AVISTA UTILITIES' APPLICATION
FOR AN ORDER TO CHANGE DEPRECIATION RATES
CASE NOS. AVU-E-07-11 and AVU-G-07-3

On November 1, 2007, Avista filed an Application requesting an Order authorizing a change in depreciation rates for electric and gas properties. The Company requested the depreciation rate change be effective as of January 1, 2008. The Company's last depreciation rate change was effective September 9, 2004 in accordance with Order No. 29602.

On November 26, 2007, the Commission issued a Notice of Application and Notice of Intervention Deadline. No persons moved to intervene so the Commission Secretary issued a Notice of Parties on December 17, 2007. The Company and Staff are the only parties in this case.

THE APPLICATION

The Company retained a depreciation consultant and prepared a depreciation study, which resulted in the current Application. Customer rates will not change as a result of this Application but the new depreciation rates will be incorporated in the next rate case. Based on plant-in-service at December 31, 2006, the study proposed an increase of \$127,928 for the Idaho operations to reflect the proposed depreciation rates for the Company's electric utility plant. The study also proposed a decrease of \$132,284 for the Idaho operations to reflect the proposed depreciation rates for the Company's gas utility plant.

THE SETTLEMENT

On February 1, 2008, the Company and Staff filed a Stipulation on Avista's Application to change depreciation rates. The Stipulation sets forth new depreciation rates for Avista's depreciable electric and gas plant. The proposed depreciation rates applied to plant balances as of December 31, 2006, result in a decrease of approximately \$668,000 in Avista's annual electric depreciation expense and a decrease of approximately \$132,000 in Avista's annual gas depreciation expense for its Idaho jurisdiction operations. The Stipulation provides that if approved by the Commission the depreciation rates set forth in the Stipulation should become effective as of January 1, 2008.

Commission Rule 274 states that "the Commission may summarily accept settlement of an essentially private dispute that has no significant implications for regulatory law or policy or for other utilities or customers upon the written request of the affected parties." The Staff and the Company were the only parties in this case. The stipulated depreciation rates for Avista's electric and gas plant decrease expenses and represent a benefit to ratepayers. Accordingly, the Stipulation asks that the Commission simply issue an Order approving the Stipulation and adopt the terms and conditions of the Stipulation without further procedure.

Staff recommends that the Commission issue an Order approving the Stipulation on Avista's Application to decrease electric and gas depreciation rates, and direct that the new depreciation rates in the Stipulation are effective as of January 1, 2008.

COMMISSION DECISION

Should the Commission issue an Order approving the Stipulation on Avista's Application to change electric and gas depreciation rates, making the new depreciation rates effective as of January 1, 2008?



Joe Leckie

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