

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION)
OF AVISTA CORPORATION FOR THE) **CASE NOS. AVU-E-08-01**
AUTHORITY TO INCREASE ITS RATES) **AVU-G-08-01**
AND CHARGES FOR ELECTRIC AND)
NATURAL GAS SERVICE TO ELECTRIC) **NOTICE OF**
AND NATURAL GAS CUSTOMERS IN THE) **PROPOSED SETTLEMENT**
STATE OF IDAHO)
) **NOTICE OF AMENDED AND**
) **FURTHER SCHEDULING**
) **NOTICE OF TECHNICAL HEARING**
) **(SETTLEMENT STIPULATION)**
) **NOTICE OF PUBLIC HEARINGS**
) **(NORTHERN IDAHO)**
) **NOTICE OF COMMENT DEADLINE**
) **ORDER NO. 30622**

On April 3, 2008, Avista Corporation dba Avista Utilities (Avista; Company) filed an Application with the Idaho Public Utilities Commission (Commission) for authority to increase revenue for electric and natural gas service in Idaho by averages of \$32.3 million (16.7%) and \$4.7 million (5.8%), respectively. Intervening parties to this case are Potlatch Corporation and Community Action Partnership Association of Idaho.

Public workshops for Avista customers were held on July 23, 2008 in Moscow and July 24, 2008 in Coeur d'Alene for the purpose of explaining the Company's Application and in order to provide an opportunity for customers to ask questions of Commission Staff.

NOTICE OF PROPOSED SETTLEMENT

YOU ARE HEREBY NOTIFIED that on July 28, 2008, Commission Staff filed with the Commission a Notice of Intent to Engage in Settlement Discussions. RP 272. A settlement conference was subsequently held on July 31, 2008 and was attended by all parties to the case.

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Pursuant to discussions, the parties have entered into a Stipulation and negotiated settlement that purports to resolve all issues raised in this proceeding. The Stipulation was filed with the Commission on August 8, 2008. The parties represent that the Stipulation is in the public interest and that all of its terms and conditions are fair, just and reasonable.

Under the terms of the Stipulation, Avista would be authorized to recover \$23.163 million (11.98%) in additional annual electric revenue and \$3.878 million (4.7%) in additional annual natural gas revenue.

The Stipulation summarizes the adjustments made by the parties to the Company's general rate case filing and discusses specific accounting treatment for (a) Spokane River relicensing, (b) confidential litigation, (c) Montana riverbed litigation, and (d) revenues associated with sale of carbon financial instruments (CFIs).

Other issues addressed by the parties in the Stipulation are test year adjustments, power cost adjustment (PCA) authorized level of expense, prudence of the Company energy efficiency expenditures from November 1, 2003 to December 31, 2007, rate spread (a uniform percentage increase for all classes except electric Schedule 25P), rate design (changes in commodity and non-commodity rate components), low-income DSM funding (increase of \$125,000), low-income conservation funding for outreach (increase of \$25,000), and a proposal for a Commission-established workshop for examining issues related to energy affordability.

The parties recommend that the Commission approve the Stipulation for an October 1, 2008 effective date. RP 274.

NOTICE OF SCHEDULING

YOU ARE FURTHER NOTIFIED that proponents of a proposed settlement carry the burden of showing that the settlement is reasonable, in the public interest and in accordance with law or regulatory policy. RP 275. The parties recognize that the proposed settlement is not binding on the Commission. RP 276. Settlements are reviewed under Commission Rule of Procedure 274 (Consideration of Settlements). To establish a sufficient record for decision in this matter the parties propose and the Commission adopts the following scheduling:

August 22, 2008

Deadline for filing by parties of testimony in support
of Settlement Stipulation

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September 5, 2008

Deadline for filing written comments regarding
the proposed Settlement Stipulation

YOU ARE FURTHER NOTIFIED that the Commission will conduct a **technical and evidentiary hearing** on the Settlement Stipulation in this matter on **THURSDAY, AUGUST 28, 2008, COMMENCING AT 1:00 P.M. AT THE COMMISSION HEARING ROOM, 472 WEST WASHINGTON STREET, BOISE, IDAHO.**

YOU ARE FURTHER NOTIFIED that the Commission will conduct evening **hearings in northern Idaho** for the purpose of taking **public comment and testimony** on the proposed Settlement Stipulation at the following locations and times:

WEDNESDAY, AUGUST 27, 2008, COMMENCING AT 7:00 P.M. AT THE NEZ PERCE COUNTY COMMISSION CONFERENCE ROOM, BRAMMER BUILDING, 1225 IDAHO STREET, LEWISTON, IDAHO.

THURSDAY, AUGUST 28, 2008, COMMENCING AT 7:00 P.M. AT THE EDGEWATER RESORT, 56 BRIDGE STREET, SANDPOINT, IDAHO.

YOU ARE FURTHER NOTIFIED that the parties proposed and the Commission has agreed to vacate the August 15, 2008 direct testimony and September 9, 2008 rebuttal deadlines set forth in its Notice of Scheduling issued May 14, 2008. The Commission retains the previously established September 23 technical hearing date in the event a further scheduling conference is required. We find that no party to this proceeding will be prejudiced by our decision and that it is in the best interest of all involved to accommodate the parties' attempts to settle this matter.

YOU ARE FURTHER NOTIFIED that the Settlement Stipulation in Case Nos. AVU-E-08-01/AVU-G-08-01 together with accompanying Motion and Appendices (and supporting testimony after August 22, 2008) can be reviewed at the Commission's office in Boise, Idaho and the Idaho offices of Avista during regular business hours. The Settlement Stipulation and Motion are also available for viewing on the Commission's website at www.puc.idaho.gov under "File Room" and then "Electric Cases."

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YOU ARE FURTHER NOTIFIED that the Commission is not bound by any settlement reached by the parties. RP 276. The Commission will independently review any settlement proposed to determine whether the settlement is just, fair and reasonable, and in the public interest, or otherwise in accordance with law or regulatory policy. The Commission may accept the settlement, reject the settlement, or state additional conditions under which the settlement will be accepted. IDAPA 31.01.01.276.

YOU ARE FURTHER NOTIFIED that written comments concerning the proposed settlement must be mailed to the Idaho Public Utilities Commission and Avista at the following addresses:

Commission Secretary
Idaho Public Utilities Commission
PO Box 83720
Boise, ID 83720-0074

Street Address for Express Mail:

472 W. Washington Street
Boise, ID 83702-5918

David J. Meyer
Vice President, Chief Counsel,
Reg. & Gov't Affairs
Avista Corporation
PO Box 3727
1411 East Mission Avenue
Spokane, WA 99220-3727
E-Mail: david.meyer@avistacorp.com

Kelly Norwood
Vice President – State & Federal Regulation
Avista Utilities
PO Box 3727
1411 East Mission Avenue
Spokane, WA 99220-3727
E-Mail: kelly.norwood@avistacorp.com

These comments should contain the case caption and case number shown on the first page of this document. Persons desiring to submit comments via e-mail may do so by accessing the Commission's home page located at www.puc.idaho.gov. Click the "Comments and Questions" icon, and complete the comment form, using the case number as it appears on the front of this document. These comments must also be sent to Avista at the e-mail addresses listed above.

ORDER

In consideration of the foregoing and as more particularly described above, IT IS HEREBY ORDERED that the Joint Motion for Approval of Settlement Stipulation filed by

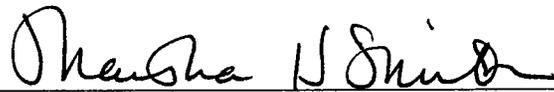
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Avista Utilities, Potlatch Corporation, Community Action Partnership Association of Idaho, and Commission Staff be processed pursuant to the procedural scheduling set forth above.

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 12th day of August 2008.



MACK A. REDFORD, PRESIDENT



MARSHA H. SMITH, COMMISSIONER



JIM D. KEMPTON, COMMISSIONER

ATTEST:



Jean D. Jewell
Commission Secretary

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