

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

<b>IN THE MATTER OF THE APPLICATION</b>	)	
<b>OF AVISTA CORPORATION FOR THE</b>	)	<b>CASE NOS. AVU-E-09-01</b>
<b>AUTHORITY TO INCREASE ITS RATES</b>	)	<b>AVU-G-09-01</b>
<b>AND CHARGES FOR ELECTRIC AND</b>	)	
<b>NATURAL GAS SERVICE TO ELECTRIC</b>	)	<b>NOTICE OF APPLICATION</b>
<b>AND NATURAL GAS CUSTOMERS IN THE</b>	)	
<b>STATE OF IDAHO</b>	)	<b>NOTICE OF</b>
	)	<b>INTERVENTION DEADLINE</b>
	)	

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YOU ARE HEREBY NOTIFIED that on January 23, 2009, Avista Corporation dba Avista Utilities (Avista; Company) filed an Application with the Idaho Public Utilities Commission (Commission) for authority to increase the Company’s general rates for electric and natural gas service in Idaho by averages of 12.8% and 3.0%, respectively. As part of the filing, the Company also proposes to decrease the current tariff Schedule 66 Power Cost Adjustment (PCA)<sup>1</sup> surcharge by \$12.3 million, or 5%, for an overall net electric rate increase of 7.8%. If approved, the Company revenues for electric base retail rates would increase by \$31.2 million annually; Company revenues for natural gas service would increase by \$2.7 million annually. The Company requests an effective date of February 23, 2009 for its proposed electric/gas rate increase.

**Electricity**

Avista serves 121,000 electric customers in Idaho. Under the Company’s net rate proposal (rate case and PCA adjustment), an average residential electric customer (Schedule 1) using 982 kilowatt hours of electricity per month would see a \$6.71 per month increase or 8.6% for a revised monthly bill of \$85.18. This includes a Company-proposed increase in the basic monthly customer service charge from \$4.60 to \$5.00. Other electric customers would see an increase between 5.67% and 8.85%.

The proposed revenue increase for electric service requested in this case, the Company states, is driven primarily by increased power supply costs, capital investments in

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<sup>1</sup> The Company’s PCA mechanism is used to track changes in revenues and costs associated with variations in hydroelectric generation, secondary prices, thermal fuel costs, and changes in power contract revenues and expenses.

upgrading aging infrastructure to increase capacity and reliability, and litigation and relicensing costs for Avista's Spokane River Hydropower Projects and Lake Coeur d'Alene.

Since inception of the PCA, annual deviations in normalized power supply costs have been shared 90%/10% by customers and Company shareholders. As part of the filing, the Company proposes to revise the PCA methodology sharing mechanism from 90%/10% to 95%/5%.

### **Natural Gas**

Avista serves 93,000 natural gas customers in Idaho. Under the Company's rate proposal, an average residential natural gas customer (Schedule 101) who uses 66 therms per month would see a \$2.56 increase or 3.2%, for a revised monthly bill of \$81.94. This includes a proposed increase in the monthly basic customer service charge from \$4.00 to \$4.25. Larger commercial natural gas customers would see increases ranging from 1.7% for interruptible service Schedules 131 and 132 to 2.5% for firm large general service Schedules 111 and 112. Transportation service for customer-owned gas under Schedule 146 (excluding gas cost) will increase under the Company's proposal by 10.9%.

The proposed rate change for natural gas customers, the Company states, does not reflect changes in the cost of natural gas purchased by Avista to serve customers. Changes in the cost of natural gas are reflected in annual Purchased Gas Cost Adjustments (PGA).

Driving the natural gas rate request in this case are increased operating costs and increased capital investment necessary to provide natural gas service to customers.

Evidence in support of the Company's need for a rate increase for electric and natural gas is based on a 12-month ended September 30, 2008 test year. The Company proposes an average rate of return on rate base of 8.80%, with a 50.00% common equity ratio and a 11.0% return on equity. Avista alleges that unless it is authorized to increase rates as requested, the Company's rates will not be fair, just and reasonable and it will not have the opportunity to realize a fair return on its investment.

The Company's base rates and charges for electric and natural gas service were last adjusted in 2008 (Case Nos. AVU-E-08-01/AVU-G-08-1, Order No. 30647). The Company's electric PCA was last adjusted in 2008 (Case No. AVU-E-08-05, Order No. 30645). The Company's gas PGA was last adjusted in 2008 (Case No. AVU-G-08-03, Order No. 30646).

YOU ARE FURTHER NOTIFIED that the Commission in Order No. 30728 has suspended the Company-proposed February 23, 2009 effective date for a period of thirty (30) days plus five (5) months from February 23, 2009, or until such time as the Commission may issue an Order accepting, rejecting or modifying the Application in this matter.

YOU ARE FURTHER NOTIFIED that **persons desiring to intervene** in Case Nos. AVU-E-09-01 and/or AVU-G-09-01 for the purpose of becoming a party, i.e., to present evidence, to acquire rights of cross-examination, to participate in settlement or negotiation conferences, and to make and argue motions **must file a Petition to Intervene** with the Commission pursuant to Rules 72 and 73 of the Commission's Rules of Procedure, IDAPA 31.01.01.072 and .073. Persons desiring to acquire intervenor rights of participation must file a Petition to Intervene **on or before Wednesday, February 25, 2009**. Persons seeking intervenor status shall also provide the Commission Secretary with their electronic mail address to facilitate future communications in this matter.

YOU ARE FURTHER NOTIFIED that 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 to other 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 discovery is available in Case Nos. AVU-E-09-01 and AVU-G-09-01 pursuant to the Commission's Rules of Procedure, IDAPA 31.01.01.221-234.

YOU ARE FURTHER NOTIFIED that the Company's Application and supporting testimony, exhibits and workpapers in Case Nos. AVU-E-09-01 and AVU-G-09-01 can be reviewed at the Commission's office in Boise, Idaho and at the Idaho offices of Avista Utilities during regular business hours. The Application is also available for public inspection on the Commission's website at [www.puc.idaho.gov](http://www.puc.idaho.gov) under "File Room" and then "Electric Cases" and/or "Gas Cases."

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  
PO BOX 3727  
1411 EAST MISSION AVENUE  
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KELLY NORWOOD  
VICE PRESIDENT – STATE & FEDERAL REGULATION  
AVISTA UTILITIES  
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1411 EAST MISSION AVENUE  
SPOKANE, WA 99220-3727  
E-mail: [kelly.norwood@avistacorp.com](mailto:kelly.norwood@avistacorp.com)

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.

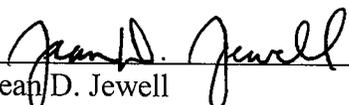
YOU ARE FURTHER NOTIFIED that all proceedings in this case will be held pursuant to the Commission's jurisdiction under Title 61 of the Idaho Code and that the Commission may enter any final Order consistent with its authority under Title 61.

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

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](mailto:secretary@puc.idaho.gov)

DATED at Boise, Idaho this     / /<sup>th</sup>                    day of February 2009.

  
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Jean D. Jewell  
Commission Secretary

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