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**AVISTA**  
Corp.

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IDAHO PUBLIC  
UTILITIES COMMISSION

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February 6, 2013

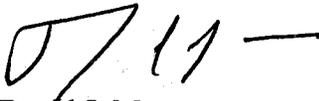
Jean D. Jewell  
Commission Secretary  
Idaho Public Utilities Commission  
472 W. Washington Street  
Boise, ID 83702

Re: Case Nos. AVU-E-12-08 and AVU-G-12-07  
Avista's Motion and Stipulation and Settlement

Enclosed for filing with the Commission in the above-referenced docket are the original and seven copies of Avista's Motion and Stipulation and Settlement, dated February 6, 2013.

Certain parties to the Stipulation intend to file testimony in support of the Stipulation, on or before February 22, 2013.

Sincerely,



David J. Meyer  
Vice President, Chief Counsel for Regulatory  
& Governmental Affairs

Enclosures

c: Service List

## CERTIFICATE OF SERVICE

I HEREBY CERTIFY that I have this 6<sup>th</sup> day of February, 2013, served the Motion and Stipulation and Settlement in Docket No. AVU-E-12-08 and AVU-G-12-07, upon the following parties, by mailing a copy thereof, properly addressed with postage prepaid to:

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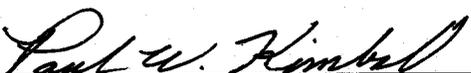
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**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

IN THE MATTER OF THE APPLICATION	)	
OF AVISTA CORPORATION DBA	)	CASE NOS. AVU-E-12-08
AVISTA UTILITIES FOR AUTHORITY TO	)	AVU-G-12-07
INCREASE ITS RATES AND CHARGES	)	
FOR ELECTRIC AND NATURAL GAS	)	<b>MOTION FOR APPROVAL OF</b>
SERVICE IN IDAHO	)	<b>STIPULATION AND SETTLEMENT</b>

COMES NOW, Avista Corporation ("Avista" or "Company") and the Commission Staff, and hereby move the Commission for an Order accepting the Settlement Stipulation filed herewith. RP 56; 272; 274. This Motion is based on the following:

1. On October 11, 2012, Avista filed an Application with the Commission for authority to increase revenue from electric and natural gas service in Idaho by 4.6% and 7.2%, respectively. If approved, the Company's revenues for electric base retail rates would have increased by \$11.4 million annually; Company revenues for natural gas service would have

increased by \$4.6 million annually. The Company requested an effective date of April 1, 2013 for its proposed electric and natural gas rate increases. By Order No. 32689, dated December 4, 2012, the Commission suspended the proposed schedules of rates and charges for electric and natural gas service, until such time as the Commission enters an Order accepting, rejecting or modifying the Application in this matter.

2. Petitions to intervene in this proceeding were filed by Clearwater Paper Corporation, Idaho Forest Group, LLC, Community Action Partnership Association of Idaho ("CAPAI"), the Idaho Conservation League and the Snake River Alliance. By various orders, the Commission granted these interventions. *See*, IPUC Order Nos. 32678, 32680 and 32687.

3. Settlement conferences were noticed and held in the Commission offices on January 17 and 24, 2013, and were attended by signatories to this Stipulation; further discussions ensued.

4. Based on settlement discussions, the Parties whose signatures appear on the Stipulation have agreed to resolve and settle all of the issues in the case (hereinafter "Parties").<sup>1</sup> A copy of the signed Stipulation evidencing that settlement is enclosed as Attachment 1.

5. The Parties recommend that the Commission grant this Motion and approve the Stipulation in its entirety, without material change or condition, pursuant to RP 274.

6. The Parties respectfully request that the Commission consider the Motion, the Stipulation, and the pre-filed testimony in support of the Stipulation at the time of the technical evidentiary hearings to be scheduled in this docket. The Parties request that any such hearings

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<sup>1</sup> The Community Action Partnership Association of Idaho participated in settlement discussions and is continuing to review its position with regard to the Settlement, as proposed, and will be filing separate comments and/or testimony in that regard. The Snake River Alliance, as an intervenor, was provided notice of the settlement discussions, but did not participate.

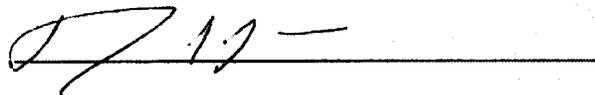
be scheduled so as to allow the implementation of new rates, as per the Stipulation, on April 1, 2013. The testimony in support of the Stipulation will be filed on or before February 22, 2013.

7. As noted in the Stipulation, the Parties agree that the Stipulation is in the public interest and that all of its terms and conditions are fair, just and reasonable.

NOW, THEREFORE, the Parties respectfully request that the Commission issue orders in Case Nos. AVU-E-12-08 and AVU-G-12-07:

1. Granting this Motion and accepting the Stipulation (Attachment 1), in its entirety, without material change or condition; and
2. Authorizing the Company to implement revised tariff schedules designed to recover the additional annual electric and natural gas revenue from Idaho customers consistent with the terms of the Stipulation; and
3. Authorizing that revised tariff schedules be made effective April 1, 2013 and October 1, 2013 consistent with the terms of the Stipulation.

Respectfully submitted this 6<sup>th</sup> day of February, 2013.



David J. Meyer  
Attorney for Avista Corporation

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Karl Klein  
Weldon Stutzman  
Deputy Attorneys General  
Idaho Public Utilities Commission Staff

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NOW, THEREFORE, the Parties respectfully request that the Commission issue orders in Case Nos. AVU-E-12-08 and AVU-G-12-07:

1. Granting this Motion and accepting the Stipulation (Attachment 1), in its entirety, without material change or condition; and

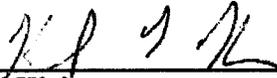
2. Authorizing the Company to implement revised tariff schedules designed to recover the additional annual electric and natural gas revenue from Idaho customers consistent with the terms of the Stipulation; and

3. Authorizing that revised tariff schedules be made effective April 1, 2013 and October 1, 2013 consistent with the terms of the Stipulation.

Respectfully submitted this 6<sup>th</sup> day of February, 2013.

---

David J. Meyer  
Attorney for Avista Corporation

  
Karl Klein  
Weldon Stutzman  
Deputy Attorneys General  
Idaho Public Utilities Commission Staff

**MOTION FOR APPROVAL OF  
STIPULATION AND SETTLEMENT  
Case Nos. AVU-E-12-08 & AVU-G-12-07**

**ATTACHMENT 1**

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**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

<u>IN THE MATTER OF THE APPLICATION</u>	)	
<u>OF AVISTA CORPORATION DBA AVISTA</u>	)	CASE NOS. AVU-E-12-08
<u>UTILITIES FOR AUTHORITY TO</u>	)	AVU-G-12-07
<u>INCREASE ITS RATES AND CHARGES</u>	)	
<u>FOR ELECTRIC AND NATURAL GAS</u>	)	
<u>SERVICE IN IDAHO</u>	)	<b>STIPULATION AND SETTLEMENT</b>

This Stipulation is entered into by and among Avista Corporation, doing business as Avista Utilities ("Avista" or "Company"), the Staff of the Idaho Public Utilities Commission ("Staff"), Clearwater Paper Corporation ("Clearwater"), Idaho Forest Group, LLC ("Idaho Forest") and the Idaho Conservation League ("Conservation League")<sup>1</sup>. These entities are collectively referred to as the "Parties," and represent several parties in the above-referenced cases that participated in settlement discussions. The Parties understand this Stipulation is subject to approval by the Idaho Public Utilities Commission ("IPUC" or the "Commission").

<sup>1</sup> The Community Action Partnership Association of Idaho ("CAPAI") participated in settlement discussions and is continuing to review its position with regard to the Settlement, as proposed, and will be filing separate comments and/or testimony in that regard. The Snake River Alliance, as an intervenor, was provided notice of the settlement discussions, but did not participate.

## I. INTRODUCTION

1. The terms and conditions of this Stipulation are set forth herein. The Parties agree that this Stipulation represents a fair, just and reasonable compromise of all the issues raised in the proceeding and that this Stipulation and its acceptance by the Commission represents a reasonable resolution of the multiple issues identified in these cases. The Parties, therefore, recommend that the Commission, in accordance with RP 274, approve the Stipulation and all of its terms and conditions without material change or condition.

## II. BACKGROUND

2. On October 11, 2012, Avista filed an Application with the Commission for authority to increase revenue from electric and natural gas service in Idaho by 4.6% and 7.2%, respectively. If approved, the Company's revenues for electric base retail rates would have increased by \$11.4 million annually; Company revenues for natural gas service would have increased by \$4.6 million annually. The Company requested an effective date of April 1, 2013 for its proposed electric and natural gas rate increases. By Order No. 32689, dated December 4, 2012, the Commission suspended the proposed schedules of rates and charges for electric and natural gas service.

3. Petitions to intervene in this proceeding were filed by Clearwater, Idaho Forest, CAPAI, the Idaho Conservation League, and the Snake River Alliance. By various orders, the Commission granted these interventions. *See*, IPUC Order Nos. 32678, 32680 and 32687.

4. Settlement conferences were noticed and held in the Commission offices on January 17 and 24, 2013, and were attended by signatories to this Stipulation; further discussions ensued. Based upon the settlement discussions among the Parties, as a compromise of positions

in this case, and for other consideration as set forth below, the Parties agree to the following terms:

### III. TERMS OF THE STIPULATION AND SETTLEMENT

5. Overview of Settlement and Revenue Requirement. The Parties agree that Avista should be allowed to implement revised tariff schedules designed to recover the following revenue requirement in two steps, as summarized in Attachment A, and below:

#### Electric

##### Step 1: April 1, 2013

- a. No electric base rate change effective April 1, 2013, instead of the proposed 4.6%, or \$11.393 million.

##### Step 2: October 1, 2013

- a. Overall electric base rate increase of 3.1% (3.2% in billed rates) or \$7.825 million effective October 1, 2013.
- b. Offsets – Apply \$3.865 million for rate mitigation purposes (the BPA Parallel Operation Settlement<sup>2</sup>), and amortize that offset over 15 months, from October 1, 2013 to December 31, 2014.
- c. Net overall bill increase to customers of 1.9% effective October 1, 2013.

	<u>Billing Rate</u>		<u>Net Billing</u>
	<u>Change</u>	<u>Offset</u>	<u>Rate Change</u>
April 1, 2013	0.0%	0.0%	0.0%
October 1, 2013	3.2%	-1.3%	1.9%

<sup>2</sup> The BPA Settlement Revenue of \$3.865 million represents the Idaho customers' share of \$12.224 million (system) for the past use of Avista's transmission system for the period January 2005 through February 2013. In December 2012, Avista and Bonneville reached a settlement that pertains to the use of Avista's transmission system by Bonneville. Avista and Bonneville each own and operate transmission systems that are interconnected at various points. Between June 1998 and December 2009, Bonneville integrated four generation projects onto its 115 kV transmission system in the Walla Walla, Washington area. Bonneville sold transmission capacity to wind projects totaling 336 MW. The transmission path for these four projects follows a single Bonneville line that has a rated capacity of only 203 MW. Upon Avista's discovery of this situation, Avista asserted that Bonneville requires the use of up to 133 MW of parallel capacity support through the Avista system in order to fulfill Bonneville's transmission service obligations for these wind projects. The Settlement Agreement was intended to resolve the issue of compensation to Avista for the prior use of its transmission system, as well as provide Bonneville with continuing cost-effective parallel capacity support in lieu of constructing additional transmission facilities at this point in time. Avista anticipates FERC approval of the Settlement in February 2013, after which Avista will bill Bonneville.

## Natural Gas

### Step 1: April 1, 2013

- a. Overall natural gas base rate increase of 4.9% (5.0% in billed rates) or \$3.115 million, instead of the proposed 7.2%, or \$4.561 million, effective April 1, 2013.

### Step 2: October 1, 2013

- a. Overall natural gas base rate increase of 2.0% (2.0% in billed rates) or \$1.330 million effective October 1, 2013.
- b. Offsets – Apply \$1.550 million PGA deferral credit balance from 2012 PGA<sup>3</sup> to partially offset the base rate increase, amortized over 15 months, October 1, 2013 to December 31, 2014.
- c. Net overall bill impact to customers of 0.3% effective October 1, 2013.

	<u>Billing Rate</u> <u>Change</u>	<u>Offset</u>	<u>Net Billing</u> <u>Rate Change</u>
April 1, 2013	5.0%	0.0%	5.0%
October 1, 2013	2.0%	-1.7%	0.3%

6. Cost of Capital. The Settling Parties agree to a 9.8 percent return on equity, with a 50.0 percent common equity ratio, and adopt the capital structure and resulting rate of return as set forth below:

<b>Component</b>	<b>Capital Structure</b>	<b>ProForma Cost</b>	<b>ProForma Weighted Cost</b>
Total Debt	50.00%	6.01%	3.01%
Common Equity	50.00%	9.80%	4.90%
Total	100.00%		7.91%

<sup>3</sup> In Docket AVU-G-12-05, the Commission approved Staff's proposal that approximately \$1.55 million in un-refunded credit balances be held back due to the Company's filing of a "Notice of Intent to File a General Rate Case." The Commission stated in Order 32651, on page 6, that "the resulting \$1.55 million un-refunded credit balance will help mitigate potential rate increases and provide rate stability for customers."

**A. ELECTRIC**

7. Overview of Electric Revenue Requirement (April 1, 2013). Below is a summary table and descriptions of the electric revenue requirement components agreed to by the Parties for April 1, 2013:

<b>SUMMARY TABLE OF ADJUSTMENTS TO ELECTRIC REVENUE REQUIREMENT</b>		
<b>EFFECTIVE APRIL 1, 2013</b>		
<b>000s of Dollars</b>		
	<b>Revenue Requirement</b>	<b>Rate Base</b>
<b>Amount as Filed:</b>	\$ 11,393	\$ 639,030
<b>Adjustments:</b>		
a.) Cost of Capital	\$ (5,517)	
b.) Remove 2013 Capital Additions (Delay to October 1, 2013)	\$ (1,117)	\$ (1,582)
c.) Remove 2013 Expenses: Delay Recovery to October 1, 2013 Rate Change		
i. Major Generation O&M	\$ (926)	
ii. Information Services & Technology	\$ (318)	
iii. CS2 Levelized Return	\$ (38)	
iv. Non-Exec Labor	\$ (426)	
d.) Remove 2013 Property Tax Expense	\$ (428)	
e.) Remove Officer Incentive and CPI escalation	\$ (187)	
f.) Two-Year Amortization of Reardan	\$ 878	
g.) Include Palouse Wind in PCA until in base rates in 2015 (90%/10% sharing)	\$ (3,139)	
h.) Miscellaneous Adjustments: Two-Year Amortization of Booz Consulting costs, Oasis Training, Abandoned Projects & Depreciation Study expense	\$ (175)	
<b>Adjusted Amounts Effective April 1, 2013</b>	<b>\$ -</b>	<b>\$ 637,448</b>

- a. Cost of Capital. As previously described (see Paragraph 6 above).
- b. Remove 2013 Capital Additions. Reflects total depreciation expense and rate base, net of accumulated depreciation and accumulated deferred income tax, as of year-end December 31, 2012. Moves 2013 capital additions to October 1, 2013 rate change.
- c. Remove 2013 Expenses: Delay Recovery to October 1, 2013 Rate Change.
  - i. Major Generation O&M. Removes the 2013 incremental non-labor generation plant operation and maintenance (O&M) expense related to the Company's thermal generation plant at Kettle Falls,

and its hydro generation plants, to be included in the October 1, 2013 rate change.

- ii. Information Services & Technology. Removes the 2013 incremental information service and technology expenses, related mainly to the Company's replacement of the Company's Customer Service Information System, and increased costs to support various business processes, application support, additional security requirements, annual contractual agreements and maintenance and license fees, to be included in the October 1, 2013 rate change.
- iii. CS2 Levelized Return. Removes the 2013 incremental amortization of the deferred levelized return related to the 10-year deferral of return on the Coyote Springs 2 (CS2) investment, to be included in the October 1, 2013 rate change.
- iv. Non-Exec Labor. Removes the 2013 incremental non-executive labor increases, to be included in the October 1, 2013 rate change.
- d. 2013 Property Tax. Removes the 2013 incremental property tax expense, adjusting property tax expense to December 31, 2012 levels.
- e. Remove Officer Incentive and CPI Escalation. Removes officer portion of incentives and removes the Consumer Price Index adjustment on incentives included in the Company's original filing.
- f. Two-Year Amortization of Reardan. See Paragraph 10 below for further information.
- g. Include Palouse Wind in PCA until Reflected in Base Rates in 2015. See Paragraph 9 below for further information.

h. Miscellaneous Adjustments. Includes a two-year amortization of Booz & Co. consulting fees, thereby reducing test period expenses, and removes certain other amounts related to OASIS training, abandoned projects and depreciation study expenses.

8. Overview of Electric Revenue Requirement (October 1, 2013). Below is a summary table and descriptions of the Electric revenue requirement components agreed to by the Parties for October 1, 2013:

<b>SUMMARY TABLE OF ELECTRIC REVENUE REQUIREMENT</b>		
<b>EFFECTIVE OCTOBER 1, 2013</b>		
<b>000s of Dollars</b>		
	<b>Revenue Requirement</b>	<b>Rate Base</b>
<b>Amounts Effective April 1, 2013</b>	<b>\$ -</b>	<b>\$ 637,448</b>
<b>Adjustments to October 1, 2013 Rate Change:</b>		
a.) 2013 Capital Additions	\$ 5,488	\$ 20,705
b.) 2014 Capital Additions	\$ 629	\$ 888
c.) Add 2013 Expenses		
i. Major Generation O&M	\$ 926	
ii. Information Services & Technology	\$ 318	
iii. CS2 Levelized Return	\$ 38	
iv. Non-Exec Labor	\$ 426	
<b>Adjusted Amounts Effective October 1, 2013</b>	<b>\$ 7,825</b>	<b>\$ 659,041</b>

a. 2013 Capital Additions. Includes 2013 capital additions, reflecting total depreciation expense and rate base, net of accumulated depreciation and accumulated deferred income tax, as of year-end December 31, 2013.

b. 2014 Capital Additions. Includes certain 2014 capital additions, including depreciation expense and rate base, net of accumulated depreciation and accumulated deferred income tax, to represent an agreed-upon level of rate base.

c. 2013 Expenses:

- i. Major Generation O&M. Includes the 2013 incremental non-labor generation plant O&M expense discussed above in Paragraph 7(c)(i).
- ii. Information Services & Technology. Includes the 2013 incremental information service and technology expenses discussed above in Paragraph 7(c)(ii).
- iii. CS2 Levelized Return. Includes the 2013 incremental amortization of the deferred CS2 levelized return discussed above in Paragraph 7(c)(iii).
- iv. Non-Exec Labor. Includes the 2013 incremental non-executive labor increases discussed above in Paragraph 7(c)(iv).

9. Palouse Wind. The Parties agree that recovery of costs related to the Palouse Wind Power Purchase Agreement (“PPA”) will be included in the PCA, subject to the current sharing (90% customer, 10% Company) until it is included in base rates as part of the implementation of new rates from the Company’s next general rate case anticipated in 2015.

10. Reardan Wind Site Deferral. The Parties agree to amortize the Reardan Wind Project deferred balance of \$1.747 million over a two-year period beginning April 1, 2013.<sup>4</sup>

11. Amortization of 2013 Coyote Springs 2/Colstrip Maintenance Deferral. The Parties agree that the amount deferred in 2013 related to the Company’s O&M costs of its Coyote Springs 2 (CS2) natural gas-fired generating plant and its fifteen (15) percent ownership

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<sup>4</sup> In May 2008, Avista purchased the Reardan Wind Project Site from Energy Northwest, the then-current developer, after it was demonstrated as the Company’s least-cost option for securing a renewable resource for its customers, consistent with its 2007 Integrated Resource Plan. Avista later chose to delay the construction of the Reardan project and take advantage of much-lower costs for wind projects that emerged in 2011 (Palouse Wind). Avista recorded \$4.0 million of site acquisition and preparation costs, of which approximately \$1.7 million is Idaho’s share. This includes approx. \$0.37 million in AFUDC in accordance with Order No. 30611 (Case No. AVU-E-08-04)

share of the Colstrip 3 & 4 coal-fired generating plants will be amortized over three years, beginning with the implementation of new base rates resulting from the Company's next general rate case filing.<sup>5</sup>

## **B. NATURAL GAS**

12. Overview of Natural Gas Revenue Requirement (April 1, 2013). Below is a summary table and descriptions of the Natural Gas revenue requirement components agreed to by the Parties:

<b>SUMMARY TABLE OF ADJUSTMENTS TO NATURAL GAS REVENUE REQUIREMENT EFFECTIVE APRIL 1, 2013 000s of Dollars</b>		
	<b>Revenue Requirement</b>	<b>Rate Base</b>
<b>Amount as Filed:</b>	<b>\$ 4,561</b>	<b>\$ 110,930</b>
<b>Adjustments:</b>		
a.) Cost of Capital	\$ (957)	
b.) Remove 2013 Capital Additions (Delay to October 1, 2013)	\$ (22)	\$ 1,309
c.) Remove 2013 Expenses: Delay Recovery to October 1, 2013 Rate Change		
i. Information Services & Technology	\$ (42)	
ii. Non-Exec Labor	\$ (215)	
d.) Remove 2013 Property Tax Expense	\$ (84)	
e.) Remove Officer Incentive and CPI escalation	\$ (50)	
f.) Miscellaneous Adjustments: Two-Year Amortization of Booz Consulting costs, Injuries & Damages, Abandoned Projects & Depreciation Study expense	\$ (76)	
<b>Adjusted Amounts Effective April 1, 2013</b>	<b>\$ 3,115</b>	<b>\$ 112,239</b>

- a. Cost of Capital. As previously described (see Paragraph 6 above).
- b. Remove 2013 Capital Additions. Reflects total depreciation expense and rate base, net of accumulated depreciation and accumulated deferred income tax,

<sup>5</sup> Per Order No. 32371 in Case No. AVU-E-11-01, in order to address the large variability in year-to-year O&M costs, beginning in 2011, the Company was allowed to defer changes in O&M costs related to its Coyote Springs 2 (CS2) natural gas-fired generating plant located near Boardman, Oregon, and its fifteen (15) percent ownership share of the Colstrip 3 & 4 coal-fired generating plants located in southeastern Montana. The Company compares actual, non-fuel, O&M expenses for the Coyote Springs 2 and Colstrip 3 & 4 plants with the amount of expenses authorized for recovery in base rates in the applicable deferral year, and defers the difference from that currently authorized. The deferral occurs annually, with no carrying charge, with deferred costs being amortized over a three-year period, beginning in January of the year following the period costs are deferred.

as of year-end December 31, 2012. Moves certain 2013 capital additions to the October 1, 2013 rate change.<sup>6</sup>

- c. Remove 2013 Expenses: Delay Recovery to October 1, 2013 Rate Change.
  - i. Information Services & Technology. Removes the 2013 incremental information service and technology expenses as discussed above, to be included in the October 1, 2013 rate change.
  - ii. Non-Exec Labor. Removes the 2013 incremental non-executive labor increases as discussed above, to be included in the October 1, 2013 rate change.
- d. 2013 Property Tax. Removes the 2013 incremental property tax expense, adjusting property tax expense to December 31, 2012 levels.
- e. Remove Officer Incentive and CPI Escalation. Removes officer portion of incentives and removes the Consumer Price Index adjustment on incentives included in the Company's original filing.
- f. Miscellaneous Adjustments. Includes a two-year amortization of Booz & Co. consulting fees, thereby reducing test period expenses, and removes certain other amounts related to injuries and damages, abandoned projects and depreciation study expenses.

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<sup>6</sup> In the Company's filed case, inclusion of total net plant, including accumulated depreciation and accumulated deferred income tax on an average-of-monthly-average basis for 2013, had the effect of reducing rate base by \$1.309 million and increasing revenue requirement associated with a net increase in depreciation expense by \$22,000. This is due to the original filed adjustment that depreciated all plant, including the plant in service balance at December 31, 2012, to the AMA balance at December 31, 2013. The additional accumulated depreciation on plant in service at December 31, 2012 was greater than the net plant additions in 2013 on an AMA basis, which had an overall impact of reducing net rate base.

13. Overview of Natural Gas Revenue Requirement (October 1, 2013). Below is a summary table and descriptions of the Natural Gas revenue requirement components agreed to by the Parties:

<b>SUMMARY TABLE OF ADJUSTMENTS TO NATURAL GAS REVENUE REQUIREMENT EFFECTIVE OCTOBER 1, 2013 000s of Dollars</b>		
	<b>Revenue Requirement</b>	<b>Rate Base</b>
<b>Amounts Effective April 1, 2013</b>	\$ -	\$ 112,239
<b>Adjustments to October 1, 2013 Rate Change:</b>		
a.) 2013 Capital Additions	\$ 1,073	\$ 3,831
b.) Add 2013 Expenses		
i. Information Services & Technology	\$ 42	
ii. Non-Exec Labor	\$ 215	
<b>Adjusted Amounts Effective October 1, 2013</b>	<b>\$ 1,330</b>	<b>\$ 116,070</b>

a. 2013 Capital Additions. Includes certain 2013 capital additions, including depreciation expense and rate base, net of accumulated depreciation and accumulated deferred income tax, to represent an agreed-upon level of rate base.

b. 2013 Expenses:

i. Information Services & Technology. Includes the 2013 incremental information service and technology expenses discussed above in Paragraph 12(c)(i).

ii. Non-Exec Labor. Includes the 2013 incremental non-executive labor increases discussed above in Paragraph 12(c)(ii).

### C. OTHER SETTLEMENT COMPONENTS

14. PCA Authorized Level of Expense. The new level of power supply expense, retail load and Clearwater Paper generation, and the April 1, 2013 and October 1, 2013 Load Change Adjustment Rates resulting from the April 1, 2013 and October 1, 2013 settlement revenue requirements for purposes of the monthly PCA mechanism calculations, are detailed in Attachment B. The parties agree for the purpose of Settlement in this case to accept the Company's normalized load forecast without specifically accepting the weather normalization methodology or the proposed Energy Efficiency Load Adjustment.

15. Depreciation Rates. The Parties have agreed to the updated electric and natural gas depreciation rates as filed by the Company, with all common/allocated plant depreciation rates, including the new depreciation rates for transportation equipment, effective January 1, 2013 to coincide with the Company's Washington and Oregon jurisdictions, with the remaining direct Idaho plant depreciation rate changes effective April 1, 2013.

16. Earnings Test. The Company agrees to an after-the-fact earnings test, where it would refund to customers one-half of any earnings in excess of the 9.8% ROE for each of the years 2013 and 2014, to allay any concerns that the base rate relief in April 1, 2013 and October 1, 2013 may allow the Company to exceed its authorized return. The earnings test would be based on actual, consolidated results for Idaho electric and natural gas operations.

17. Rate Freeze/Stay Out. The Parties agree that, in recognition of the two-year rate plan covered by this Stipulation, Avista will not file another electric or natural gas general rate case before May 31, 2014, and while it may request an effective date earlier than January 1, 2015, final approved new rates will not go into effect prior to January 1, 2015. This does not apply to tariff filings authorized by or contemplated by the terms of the Power Cost Adjustment (PCA), or the Purchased Gas Adjustment tariff (PGA), or other miscellaneous filings.

**D. COST OF SERVICE/RATE SPREAD/RATE DESIGN**

18. Cost of Service. For electric operations, the Company prepared an analysis using a peak credit method of classifying production costs, allocating 100% of transmission costs to demand, and allocating transmission costs on a twelve-month basis. For settlement purposes, the Parties agreed to use a pro-rata allocation based on the Company's proposed 15% move towards unity for purposes of spreading the revised electric revenue requirement, while not agreeing on any particular cost of service methodology.

For natural gas operations, the Company proposed that all rate schedules be moved approximately 25% towards unity. For settlement purposes, the Parties agreed to use a pro-rata allocation of the Company's natural gas rate spread percentages from its original filing for purposes of spreading the revised revenue requirement.

19. Rate Spread/Rate Design (Base Rate Changes).

(a) As indicated above, the Parties agreed that the increase in base revenues would be spread to all electric and natural gas rate schedules on a pro-rata allocation of the Company's rate spread percentages from its original filing.

(b) The Parties agree that the revenue requirement for each electric and natural gas service schedule will be applied as a uniform percentage increase to each volumetric energy rate as shown in Attachment C. The Parties agree that there will be no change to Schedule 1 and Schedule 101 basic charges.

(c) Attachment C provides a summary of the current and revised rates and charges (as per the Settlement) for electric and natural gas service.

20. Rate Spread/Rate Design (Offsets).

(a) The Parties have agreed that the electric base rate offset related to the BPA Settlement Revenues will be spread to electric rate schedules on a uniform cents per kWh basis.

(b) The Parties have agreed that the natural gas base rate offset related to the 2012 PGA deferral credit balance of \$1.55 million will be spread to natural gas rate schedules on a uniform cents per therm basis.

(c) Attachment D contains the form of tariff related to the electric and natural gas offsets agreed to by the Parties. A new electric rate schedule, Schedule 97, will be used for purposes of passing through to customers the electric offset. A new natural gas rate schedule, Schedule 197, will be used for purposes of passing through to customers the natural gas offset. Both tariffs would expire on December 31, 2014.

(d) Any under- or over-refunded amounts relating to the Electric or Natural Gas offsets will be trued up in the following year's Power Cost Adjustment (electric) or Purchased Gas Cost Adjustment (natural gas).

21. Resulting Percentage Increase by Electric Service Schedule. The following tables reflect the agreed-upon percentage increase by schedule for electric service<sup>7</sup>:

**Electric Increase Percentage by Schedule - April 1, 2013**

<b>Rate Schedule</b>	<b>Increase in Base Rates</b>	<b>Net Increase in Billing Rates</b>
Residential Schedule 1	0.0%	0.0%
General Service Schedule 11/12	0.0%	0.0%
Large General Service Schedule 21/22	0.0%	0.0%
Extra Large General Service Schedule 25	0.0%	0.0%
Clearwater Paper Schedule 25P	0.0%	0.0%
Pumping Service Schedule 31/32	0.0%	0.0%
Street & Area Lights Schedules	0.0%	0.0%
<b>Overall</b>	<b>0.0%</b>	<b>0.0%</b>

<sup>7</sup> Avista will file both electric and natural gas conforming tariffs related to the October 1, 2013 rate changes with the Commission on or before August 30, 2013 for the Commission's review and approval.

<b>Electric Increase Percentage by Schedule - October 1, 2013</b>		
<b>Rate Schedule</b>	<b>Increase in Base Rates</b>	<b>Net Increase in Billing Rates*</b>
Residential Schedule 1	3.5%	2.6%
General Service Schedule 11/12	2.8%	1.9%
Large General Service Schedule 21/22	3.3%	2.1%
Extra Large General Service Schedule 25	2.7%	1.0%
Clearwater Paper Schedule 25P	2.3%	0.4%
Pumping Service Schedule 31/32	3.9%	2.9%
Street & Area Lights Schedules	3.1%	2.7%
<b>Overall</b>	<b>3.1%</b>	<b>1.9%</b>
* Net Increase includes the effects of the proposed changes in Schedule 97 (BPA Adjustment) and the General Rate Increase, all effective on October 1, 2013.		

22. Resulting Percentage Increase by Natural Gas Service Schedule. The following tables reflect the agreed-upon percentage increase by schedule for natural gas service:

**Natural Gas Increase Percentage by Schedule - April 1, 2013**

<b>Rate Schedule</b>	<b>Increase in Base Rates</b>	<b>Net Increase in Billing Rates</b>
General Service Schedule 101	5.3%	5.4%
Large General Service Schedule 111/112	3.8%	3.9%
Interruptible Sales Service Schedule 131/132	4.0%	4.0%
Transportation Service Schedule 146	8.7%	8.7%
<b>Overall</b>	<b>4.9%</b>	<b>5.0%</b>

**Natural Gas Increase Percentage by Schedule - October 1, 2013**

<b>Rate Schedule</b>	<b>Increase in Base Rates</b>	<b>Net Increase in Billing Rates**</b>
General Service Schedule 101	2.1%	0.6%
Large General Service Schedule 111/112	1.6%	-0.5%
Interruptible Sales Service Schedule 131/132	1.4%	-1.4%
Transportation Service Schedule 146	3.5%	3.5%
<b>Overall</b>	<b>2.0%</b>	<b>0.3%</b>
** Net Increase includes the effects of the proposed changes in Schedule 197 (PGA) and the General Rate Increase, all effective on October 1, 2013.		

#### **IV. OTHER GENERAL PROVISIONS**

23. The Parties agree that this Stipulation represents a compromise of the positions of the Parties in this case. As provided in RP 272, other than any testimony filed in support of the approval of this Stipulation, and except to the extent necessary for a Party to explain before the Commission its own statements and positions with respect to the Stipulation, all statements made and positions taken in negotiations relating to this Stipulation shall be confidential and will not be admissible in evidence in this or any other proceeding.

24. The Parties submit this Stipulation to the Commission and recommend approval in its entirety pursuant to RP 274. Parties shall support this Stipulation before the Commission, and no Party shall appeal a Commission Order approving the Stipulation or an issue resolved by the Stipulation. If this Stipulation is challenged by any person not a party to the Stipulation, the Parties to this Stipulation reserve the right to file testimony, cross-examine witnesses and put on such case as they deem appropriate to respond fully to the issues presented, including the right to raise issues that are incorporated in the settlement terms embodied in this Stipulation. Notwithstanding this reservation of rights, the Parties to this Stipulation agree that they will continue to support the Commission's adoption of the terms of this Stipulation.

25. If the Commission rejects any part or all of this Stipulation or imposes any additional material conditions on approval of this Stipulation, each Party reserves the right, upon written notice to the Commission and the other Parties to this proceeding, within 14 days of the date of such action by the Commission, to withdraw from this Stipulation. In such case, no Party shall be bound or prejudiced by the terms of this Stipulation, and each Party shall be entitled to seek reconsideration of the Commission's order, file testimony as it chooses, cross-examine witnesses, and do all other things necessary to put on such case as it deems appropriate. In such case, the Parties immediately will request the prompt reconvening of a prehearing conference for

purposes of establishing a procedural schedule for the completion of the case. The Parties agree to cooperate in development of a schedule that concludes the proceeding on the earliest possible date, taking into account the needs of the Parties in participating in hearings and preparing testimony and briefs.

26. The Parties agree that this Stipulation is in the public interest and that all of its terms and conditions are fair, just and reasonable.

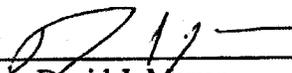
27. No Party shall be bound, benefited or prejudiced by any position asserted in the negotiation of this Stipulation, except to the extent expressly stated herein, nor shall this Stipulation be construed as a waiver of the rights of any Party unless such rights are expressly waived herein. Execution of this Stipulation shall not be deemed to constitute an acknowledgment by any Party of the validity or invalidity of any particular method, theory or principle of regulation or cost recovery. No Party shall be deemed to have agreed that any method, theory or principle of regulation or cost recovery employed in arriving at this Stipulation is appropriate for resolving any issues in any other proceeding in the future. No findings of fact or conclusions of law other than those stated herein shall be deemed to be implicit in this Stipulation.

28. The obligations of the Parties under this Stipulation are subject to the Commission's approval of this Stipulation in accordance with its terms and conditions and upon such approval being upheld on appeal, if any, by a court of competent jurisdiction.

29. This Stipulation may be executed in counterparts and each signed counterpart shall constitute an original document.

DATED this 6<sup>th</sup> day of February, 2013.

Avista Corporation

By:   
David J. Meyer  
Attorney for Avista Corporation

Idaho Public Utilities Commission Staff

By: \_\_\_\_\_  
Karl Klein  
Weldon Stutzman  
Deputy Attorneys General

Clearwater Paper Corporation

By: \_\_\_\_\_  
Peter Richardson  
Attorney for Clearwater Paper

Idaho Forest Group

By: \_\_\_\_\_  
Dean J. Miller  
Attorney for Idaho Forest Group LLC

Idaho Conservation League

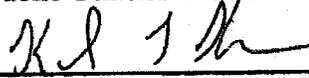
By: \_\_\_\_\_  
Benjamin J. Otto  
Attorney for ICL

DATED this 6<sup>th</sup> day of February, 2013.

**Avista Corporation**

By: \_\_\_\_\_  
David J. Meyer  
Attorney for Avista Corporation

**Idaho Public Utilities Commission Staff**

By:  \_\_\_\_\_  
Karl Klein  
Weldon Stutzman  
Deputy Attorneys General

**Clearwater Paper Corporation**

By: \_\_\_\_\_  
Peter Richardson  
Attorney for Clearwater Paper

**Idaho Forest Group**

By: \_\_\_\_\_  
Dean J. Miller  
Attorney for Idaho Forest Group LLC

**Idaho Conservation League**

By: \_\_\_\_\_  
Benjamin J. Otto  
Attorney for ICL

DATED this \_\_\_\_ day of February, 2013.

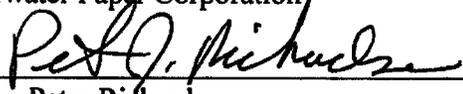
Avista Corporation

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David J. Meyer  
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By: \_\_\_\_\_  
Karl Klein  
Weldon Stutzman  
Deputy Attorneys General

Clearwater Paper Corporation

By:   
Peter Richardson  
Attorney for Clearwater Paper

Idaho Forest Group

By: \_\_\_\_\_  
Dean J. Miller  
Attorney for Idaho Forest Group LLC

Idaho Conservation League

By: \_\_\_\_\_  
Benjamin J. Otto  
Attorney for ICL

DATED this 1 day of February, 2013.

Avista Corporation

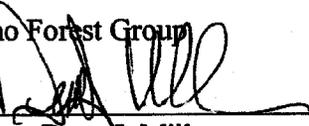
By: \_\_\_\_\_  
David J. Meyer  
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Idaho Conservation League

By: \_\_\_\_\_  
Benjamin J. Otto  
Attorney for ICL

DATED this 5<sup>th</sup> day of February, 2013.

Avista Corporation

By: \_\_\_\_\_  
David J. Meyer  
Attorney for Avista Corporation

Idaho Public Utilities Commission Staff

By: \_\_\_\_\_  
Karl Klein  
Weldon Stutzman  
Deputy Attorneys General

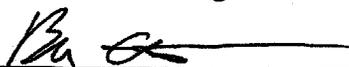
Clearwater Paper Corporation

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Dean J. Miller  
Attorney for Idaho Forest Group LLC

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**STIPULATION AND SETTLEMENT**  
**Case Nos. AVU-E-12-08 & AVU-G-12-07**

**ATTACHMENT A**

Avista Utilities  
Idaho Rate Adjustments

Electric

**Effective April 1, 2013**

	TOTAL	RESIDENTIAL SCHEDULE 1	GENERAL SVC. SCH. 11,12	LG. GEN. SVC. SCH. 21,22	EX LG GEN SVC SCHEDULE 25	CLEARWATER SCHEDULE 25P	PUMPING SCH. 31, 32	ST & AREA LTG SCH. 41-49
1 Total Billed Revenue	\$ 245,924,000	\$ 96,390,000	\$ 32,597,000	\$ 51,597,000	\$ 16,024,000	\$ 41,005,000	\$ 4,867,000	\$ 3,444,000
2 <b>Revenue Changes</b>								
3 GRC Increase	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
4 Total Revenue Change	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
5								
6 <b>Percentage Changes</b>								
7 GRC Increase	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
8 Total Billed Percentage Change	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

**Effective October 1, 2013**

17 Total Billed Revenue	\$ 245,924,000	\$ 96,390,000	\$ 32,597,000	\$ 51,597,000	\$ 16,024,000	\$ 41,005,000	\$ 4,867,000	\$ 3,444,000
18 <b>Revenue Changes</b>								
19 GRC Increase *	\$ 7,825,000	\$ 3,532,000	\$ 920,000	\$ 1,714,000	\$ 434,000	\$ 928,000	\$ 190,000	\$ 107,000
20 BPA Reduction (15 Month Amortization) **	\$ (3,058,000)	\$ (1,024,000)	\$ (301,000)	\$ (614,000)	\$ (273,000)	\$ (782,000)	\$ (51,000)	\$ (13,000)
21 Total Revenue Change	\$ 4,767,000	\$ 2,508,000	\$ 619,000	\$ 1,100,000	\$ 161,000	\$ 146,000	\$ 139,000	\$ 94,000
22								
23 <b>Percentage Changes</b>								
24 GRC Increase	3.2%	3.7%	2.8%	3.3%	2.7%	2.3%	3.9%	3.1%
25 BPA Reduction	-1.3%	-1.1%	-0.9%	-1.2%	-1.7%	-1.9%	-1.0%	-0.4%
26 Total Billed Percentage Change	1.9%	2.6%	1.9%	2.1%	1.0%	0.4%	2.9%	2.7%

29 \* Utilizes a pro-rata allocation of the Company's electric rate spread percentage from its original filing for purposes of spreading the revised revenue requirement.

30 \*\* The BPA settlement benefit of \$3.865 million amortized over 15 months is equal to \$3.058 million annually. It will expire @ 12/31/14.

Avista Utilities  
Idaho Rate Adjustments

Natural Gas

	TOTAL	GEN SERVICE SCHEDULE 101	LRG GEN SVC SCH. 111&112	INTERRUPTIBLE SCH. 131&132	TRANSPORT SCHEDULE 146	SPECIAL CONTRACTS
<b>Effective April 1, 2013</b>						
1 Total Billed Revenue	\$ 62,090,000	\$46,896,000	\$14,607,000	\$201,000	\$289,000	\$97,000
<b>Revenue Changes</b>						
3 GRC Increase *	\$ 3,114,740	\$ 2,512,740	\$ 569,000	\$ 8,000	\$ 25,000	\$ -
4 Total Revenue Change	\$ 3,114,740	\$ 2,512,740	\$ 569,000	\$ 8,000	\$ 25,000	\$ -
<b>Percentage Changes</b>						
7 GRC Increase	5.0%	5.4%	3.9%	4.0%	8.7%	0.0%
8 Total Billed Percentage Change	5.0%	5.4%	3.9%	4.0%	8.7%	0.0%
<b>Effective October 1, 2013</b>						
15 Total Billed Revenue	\$ 65,204,740	\$ 49,408,740	\$ 15,176,000	\$ 209,000	\$ 314,000	\$ 97,000
<b>Revenue Changes</b>						
17 GRC Increase *	\$ 1,330,000	\$ 1,073,000	\$ 243,000	\$ 3,000	\$ 11,000	\$ -
18 PGA Reduction (15 Month Amortization) **	\$ (1,131,000)	\$ (799,000)	\$ (326,000)	\$ (6,000)	\$ -	\$ -
19 Total Revenue Change	\$ 199,000	\$ 274,000	\$ (83,000)	\$ (3,000)	\$ 11,000	\$ -
<b>Percentage Changes</b>						
22 GRC Increase	2.0%	2.2%	1.6%	1.4%	3.5%	0.0%
23 PGA Reduction	-1.7%	-1.6%	-2.1%	-2.9%	0.0%	0.0%
24 Total Billed Percentage Change	0.3%	0.6%	-0.5%	-1.4%	3.5%	0.0%

26 \* Utilizes a pro-rata allocation of the Company's natural gas rate spread percentages from its original filing for purposes of spreading the revised  
27 revenue requirement.

28 \*\* The PGA deferral of \$1.55 million amortized over 15 months is equal to \$1.31 million annually. It will expire @ 12/31/14.

**STIPULATION AND SETTLEMENT**  
**Case Nos. AVU-E-12-08 & AVU-G-12-07**

**ATTACHMENT B**

**Avista Corp**  
**Pro forma January - December**  
**PCA Authorized Expense and Retail Sales**

**PCA Authorized Power Supply Expense - System Numbers (1)**

	<u>Total</u>	<u>January</u>	<u>February</u>	<u>March</u>	<u>April</u>	<u>May</u>	<u>June</u>	<u>July</u>	<u>August</u>	<u>September</u>	<u>October</u>	<u>November</u>	<u>December</u>
Account 555 - Purchased Power (2)	\$88,182,972	\$10,717,432	\$9,359,487	\$8,546,885	\$6,841,564	\$5,337,699	\$5,287,042	\$5,648,618	\$7,939,502	\$5,551,282	\$5,789,904	\$8,437,276	\$8,726,282
Account 501 - Thermal Fuel	\$30,916,732	\$2,789,917	\$2,832,215	\$2,785,057	\$2,031,330	\$1,718,372	\$1,405,767	\$2,715,972	\$2,948,383	\$2,925,528	\$3,051,784	\$2,909,636	\$3,002,771
Account 547 - Natural Gas Fuel	\$86,631,151	\$8,264,229	\$7,537,533	\$7,376,233	\$4,927,841	\$2,851,219	\$2,201,285	\$6,893,937	\$8,303,984	\$8,561,441	\$9,099,171	\$9,713,701	\$10,900,577
<b>Account 447 - Sale for Resale</b>	<b>\$57,620,639</b>	<b>\$4,641,568</b>	<b>\$4,386,361</b>	<b>\$4,792,538</b>	<b>\$5,372,207</b>	<b>\$5,022,215</b>	<b>\$3,271,701</b>	<b>\$6,033,100</b>	<b>\$3,115,032</b>	<b>\$4,649,875</b>	<b>\$4,672,288</b>	<b>\$5,573,841</b>	<b>\$6,089,913</b>
<b>Power Supply Expense</b>	<b>\$148,110,215</b>	<b>\$17,130,010</b>	<b>\$15,142,875</b>	<b>\$13,915,637</b>	<b>\$8,428,528</b>	<b>\$4,885,076</b>	<b>\$5,622,392</b>	<b>\$9,225,427</b>	<b>\$16,076,838</b>	<b>\$12,388,375</b>	<b>\$13,268,571</b>	<b>\$15,486,772</b>	<b>\$16,539,716</b>
<b>Transmission Expense</b>	<b>\$17,970,479</b>	<b>\$1,495,284</b>	<b>\$1,530,877</b>	<b>\$1,480,538</b>	<b>\$1,427,248</b>	<b>\$1,371,518</b>	<b>\$1,420,882</b>	<b>\$1,432,251</b>	<b>\$1,480,124</b>	<b>\$1,483,239</b>	<b>\$1,547,809</b>	<b>\$1,665,262</b>	<b>\$1,635,447</b>
<b>Transmission Revenue</b>	<b>\$14,192,399</b>	<b>\$1,181,058</b>	<b>\$975,106</b>	<b>\$1,088,154</b>	<b>\$1,016,354</b>	<b>\$1,087,976</b>	<b>\$1,266,618</b>	<b>\$1,420,627</b>	<b>\$1,296,313</b>	<b>\$1,218,435</b>	<b>\$1,355,084</b>	<b>\$1,151,351</b>	<b>\$1,135,323</b>

**PCA Authorized Idaho Retail Sales (3)**

	<u>Total</u>	<u>January</u>	<u>February</u>	<u>March</u>	<u>April</u>	<u>May</u>	<u>June</u>	<u>July</u>	<u>August</u>	<u>September</u>	<u>October</u>	<u>November</u>	<u>December</u>
<b>Total Retail Sales, MWh</b>	<b>2,920,315</b>	<b>288,554</b>	<b>259,942</b>	<b>251,709</b>	<b>220,890</b>	<b>215,126</b>	<b>211,354</b>	<b>242,247</b>	<b>239,641</b>	<b>218,705</b>	<b>210,034</b>	<b>262,809</b>	<b>299,304</b>
<b>Clearwater Paper Retail Load = Generation, MWh</b>	<b>444,563</b>	<b>39,257</b>	<b>35,848</b>	<b>26,604</b>	<b>38,658</b>	<b>38,512</b>	<b>33,557</b>	<b>38,814</b>	<b>38,992</b>	<b>35,735</b>	<b>38,447</b>	<b>38,899</b>	<b>41,240</b>
April 1, 2013 Approved Rates Load Change Adjustment Rate	\$26.63 /MWh												
October 1, 2013 Approved Rates Load Change Adjustment Rate	\$26.97 /MWh												

**PCA Authorized Clearwater Paper Directly Assigned Values**

	<u>Total</u>	<u>January</u>	<u>February</u>	<u>March</u>	<u>April</u>	<u>May</u>	<u>June</u>	<u>July</u>	<u>August</u>	<u>September</u>	<u>October</u>	<u>November</u>	<u>December</u>
<b>Purchased Power</b>	<b>\$19,080,844</b>	<b>\$1,684,910</b>	<b>\$1,538,596</b>	<b>\$1,141,844</b>	<b>\$1,659,201</b>	<b>\$1,652,935</b>	<b>\$1,440,266</b>	<b>\$1,665,897</b>	<b>\$1,673,537</b>	<b>\$1,533,746</b>	<b>\$1,650,145</b>	<b>\$1,669,545</b>	<b>\$1,770,021</b>
April 1, 2013 Approved Rates Retail Revenue from Load = Generation (4)	\$21,043,428	\$1,854,485	\$1,707,734	\$1,256,968	\$1,833,636	\$1,819,288	\$1,591,683	\$1,833,555	\$1,841,967	\$1,694,991	\$1,816,219	\$1,844,742	\$1,948,159
October 1, 2013 Approved Rates Retail Revenue from Load = Generation (4)	\$21,523,556	\$1,896,882	\$1,746,450	\$1,285,700	\$1,875,387	\$1,860,881	\$1,627,925	\$1,875,474	\$1,884,078	\$1,733,585	\$1,857,742	\$1,886,753	\$1,992,699

- 1) Multiply system numbers by 34.76% to determine Idaho share.
- 2) Purchased Power Expense includes reduction for Pro Forma Billing Determinants at system cost.
- 3) 12 months ended June 2012 weather normalized Idaho retail sales (utilizes Company's Pro Forma Billing Determinants).
- 4) Calculated at approved marginal Schedule 25P rates assuming 100% load factor for demand charge.

**STIPULATION AND SETTLEMENT**  
**Case Nos. AVU-E-12-08 & AVU-G-12-07**

**ATTACHMENT C**

**AVISTA UTILITIES  
IDAHO ELECTRIC, CASE NO. AVU-E-12-08  
PROPOSED INCREASE BY SERVICE SCHEDULE  
12 MONTHS ENDED JUNE 30, 2012  
(000s of Dollars)**

**Effective October 1st, 2013**

Line No.	Type of Service (a)	Schedule Number (b)	Base Tariff Revenue Under Present Rates(1) (c)	Proposed General Increase (d)	Base Tariff Revenue Under Proposed Rates (1) (e)	Base Tariff Percent Increase (f)	Total Billed Revenue at Present Rates(2) (g)	Total General Increase (h)	Total Sch. 97 - BPA Decrease (i)	Total Billed Revenue at Proposed Rates(2) (j)	Gen. Incr. as a % of Billed Revenue (k)
1	Residential	1	\$99,497	\$3,532	\$103,029	3.5%	\$96,390	\$3,532	(\$1,024)	\$98,898	2.6%
2	General Service	11,12	\$32,432	\$920	\$33,352	2.8%	\$32,597	\$920	(\$301)	\$33,216	1.9%
3	Large General Service	21,22	\$51,400	\$1,714	\$53,114	3.3%	\$51,597	\$1,714	(\$614)	\$52,698	2.1%
4	Extra Large General Service	25	\$16,036	\$434	\$16,470	2.7%	\$16,024	\$434	(\$273)	\$16,185	1.0%
5	Clearwater	25P	\$41,091	\$928	\$42,019	2.3%	\$41,005	\$928	(\$782)	\$41,151	0.4%
6	Pumping Service	31,32	\$4,859	\$190	\$5,049	3.9%	\$4,867	\$190	(\$51)	\$5,006	2.9%
7	Street & Area Lights	41-49	<u>\$3,405</u>	<u>\$107</u>	<u>\$3,512</u>	3.1%	<u>\$3,444</u>	<u>\$107</u>	<u>(\$13)</u>	<u>\$3,539</u>	2.7%
8	Total		\$248,720	\$7,825	\$256,545	3.1%	\$245,924	\$7,825	(\$3,058)	\$250,691	1.9%

(1) Excludes all present rate adjustments (see below).

(2) Includes all present rate adjustments: Schedule 59 - Residential & Farm Energy Rate Adjustment, Schedule 66 - Temporary Power Cost Adjustment, Schedule 91 - Energy Efficiency Rider Adjustment, and Schedule 97 - BPA Rate Adjustment.

**AVISTA UTILITIES  
IDAHO ELECTRIC, CASE NO. AVU-E-12-08  
PRESENT AND PROPOSED RATE COMPONENTS BY SCHEDULE**

**Effective October 1st, 2013**

(a)	Base Tariff Sch. Rate (b)	Present Other Adj. (1) (c)	Present Billing Rate (d)	General Rate Inc/(Decr) (e)	Sch. 97-BPA Decrease (f)	Proposed Billing Rate (g)	Proposed Base Tariff Rate (h)
<b><u>Residential Service - Schedule 1</u></b>							
Basic Charge	\$5.25		\$5.25	\$0.00		\$5.25	\$5.25
Energy Charge:							
First 600 kWhs	\$0.07848	(\$0.00276)	\$0.07572	\$0.00298	(\$0.00091)	\$0.07779	\$0.08146
All over 600 kWhs	\$0.08764	(\$0.00276)	\$0.08488	\$0.00332	(\$0.00091)	\$0.08729	\$0.09096
<b><u>General Services - Schedule 11</u></b>							
Basic Charge	\$10.00		\$10.00	\$0.00		\$10.00	\$10.00
Energy Charge:							
First 3,650 kWhs	\$0.09338	\$0.00072	\$0.09410	\$0.00296	(\$0.00091)	\$0.09615	\$0.09634
All over 3,650 kWhs	\$0.06958	\$0.00072	\$0.07030	\$0.00220	(\$0.00091)	\$0.07159	\$0.07178
Demand Charge:							
20 kW or less	no charge		no charge	no charge			no charge
Over 20 kW	\$5.25/kW		\$5.25/kW			\$5.25/kW	\$5.25/kW
<b><u>Large General Service - Schedule 21</u></b>							
Energy Charge:							
First 250,000 kWhs	\$0.06039	\$0.00035	\$0.06074	\$0.00258	(\$0.00091)	\$0.06241	\$0.06297
All over 2 (2) <u>Includes</u> all preser	\$0.05154	\$0.00035	\$0.05189	\$0.00219	(\$0.00091)	\$0.05317	\$0.05373
Demand Charge:							
50 kW or less	\$350.00		\$350.00	\$0.00		\$350.00	\$350.00
Over 50 kW	\$4.75/kW		\$4.75/kW			\$4.75/kW	\$4.75/kW
Primary Voltage Discount	\$0.20/kW		\$0.20/kW			\$0.20/kW	\$0.20/kW
<b><u>Extra Large General Service - Schedule 25</u></b>							
Energy Charge:							
First 500,000 kWhs	\$0.05047	(\$0.00004)	\$0.05043	\$0.00165	(\$0.00091)	\$0.05117	\$0.05212
All over 500,000 kWhs	\$0.04275	(\$0.00004)	\$0.04271	\$0.00139	(\$0.00091)	\$0.04319	\$0.04414
Demand Charge:							
3,000 kva or less	\$12,500		\$12,500			\$12,500	\$12,500
Over 3,000 kva	\$4.50/kva		\$4.50/kva			\$4.50/kva	\$4.50/kva
Primary Volt. Discount	\$0.20/kW		\$0.20/kW			\$0.20/kW	\$0.20/kW
Annual Minimum	Present:	\$666,570			Proposed:	\$683,420	
<b><u>Clearwater - Schedule 25P</u></b>							
Energy Charge:							
all kWhs	\$0.04146	(\$0.00010)	\$0.04136	\$0.00108	(\$0.00091)	\$0.04153	\$0.04254
Demand Charge:							
3,000 kva or less	\$12,500		\$12,500			\$12,500	\$12,500
Over 3,000 kva	\$4.50/kva		\$4.50/kva			\$4.50/kva	\$4.50/kva
Primary Volt. Discount	\$0.20/kW		\$0.20/kW			\$0.20/kW	\$0.20/kW
Annual Minimum	Present:	\$606,060			Proposed:	\$617,940	
<b><u>Pumping Service - Schedule 31</u></b>							
Basic Charge	\$8.00		\$8.00	\$0.00		\$8.00	\$8.00
Energy Charge:							
First 165 kWh/kWh	\$0.08939	\$0.00052	\$0.08991	\$0.00360	(\$0.00091)	\$0.09260	\$0.09299
All additional kWhs	\$0.07620	\$0.00052	\$0.07672	\$0.00307	(\$0.00091)	\$0.07888	\$0.07927

(1) Includes all present rate adjustments: Schedule 59 - Residential & Farm Energy Rate Adjustment, Schedule 66 - Temporary Power Cost Adjustment, and Schedule 91 - Energy Efficiency Rider Adjustment.

**AVISTA UTILITIES  
IDAHO GAS, CASE NO. AVU-G-12-07  
PROPOSED INCREASE BY SERVICE SCHEDULE  
12 MONTHS ENDED JUNE 30, 2012  
(000s of Dollars)**

**Effective April 1st, 2013**

Line No.	Type of Service (a)	Schedule Number (b)	Base Tariff Revenue Under Present Rates (1) (c)	Proposed General Increase (d)	Base Tariff Revenue Under Proposed Rates (1) (e)	Base Tariff Percent Increase (f)	Total Billed Revenue at Present Rates (2) (g)	Total General Increase (h)	Total Billed Revenue at Proposed Rates (2) (i)	Percent Increase on Billed Revenue (j)
1	General Service	101	\$47,852	\$2,513	\$50,365	5.3%	\$46,896	\$2,513	\$49,409	5.4%
2	Large General Service	111/112	\$14,997	\$569	\$15,566	3.8%	\$14,607	\$569	\$15,175	3.9%
3	Interruptible Service	131/132	\$201	\$8	\$209	4.0%	\$201	\$8	\$209	4.0%
4	Transportation Service	146	\$289	\$25	\$314	8.7%	\$289	\$25	\$315	8.7%
5	Special Contracts	148	\$97	\$0	\$97	0.0%	\$97	\$0	\$97	0.0%
6	Total		\$63,436	\$3,115	\$66,551	4.9%	\$62,090	\$3,115	\$65,205	5.0%

(1) Includes Schedule 150 - Purchased Gas Cost Adjustment

(2) Includes Schedule 155 - Gas Rate Adjustment

**AVISTA UTILITIES  
IDAHO GAS, CASE NO. AVU-G-12-07  
PRESENT AND PROPOSED RATE COMPONENTS BY SCHEDULE**

**Effective April 1st, 2013**

(a)	Base Rate (1) (b)	Present Rate Adj.(2) (c)	Present Billing Rate (d)	General Rate Increase (e)	Proposed Billing Rate (f)	Proposed Base Rate (1) (g)
<b><u>General Service - Schedule 101</u></b>						
Basic Charge	\$4.25		\$4.25	\$0.00	\$4.25	\$4.25
Usage Charge:						
All therms	\$0.82291	(\$0.01785)	\$0.80506	\$0.04690	\$0.85196	\$0.86981
<b><u>Large General Service - Schedule 111</u></b>						
Usage Charge:						
First 200 therms	\$0.84418	(\$0.01785)	\$0.82633	\$0.04689	\$0.87322	\$0.89107
200 - 1,000 therms	\$0.71203	(\$0.01785)	\$0.69418	\$0.02413	\$0.71831	\$0.73616
1,000 - 10,000 therms	\$0.63624	(\$0.01785)	\$0.61839	\$0.02156	\$0.63995	\$0.65780
All over 10,000 therms	\$0.58630	(\$0.01785)	\$0.56845	\$0.01987	\$0.58832	\$0.60617
Minimum Charge:						
per month	\$81.61		\$81.61	\$9.38	\$90.99	\$90.99
per therm	\$0.43612	(\$0.01785)	\$0.41827		\$0.41827	\$0.43612
<b><u>Interruptible Service - Schedule 132</u></b>						
Usage Charge:						
All Therms	\$0.50911		\$0.50911	\$0.02074	\$0.52985	\$0.52985
<b><u>Transportation Service - Schedule 146</u></b>						
Basic Charge	\$225.00		\$225.00	\$0.00	\$225.00	\$225.00
Usage Charge:						
All Therms	\$0.10671		\$0.10671	\$0.00978	\$0.11649	\$0.11649

(1) Includes Schedule 150 - Purchased Gas Cost Adjustment

(2) Includes Schedule 155 - Gas Rate Adjustment

**AVISTA UTILITIES  
IDAHO GAS, CASE NO. AVU-G-12-07  
PROPOSED INCREASE BY SERVICE SCHEDULE  
12 MONTHS ENDED JUNE 30, 2012  
(000s of Dollars)**

**Effective October 1st, 2013**

<u>Line No.</u>	<u>Type of Service</u> (a)	<u>Schedule Number</u> (b)	<u>Base Tariff Revenue Under Present Rates (1)</u> (c)	<u>Proposed General Increase</u> (d)	<u>Base Tariff Revenue Under Proposed Rates (1)</u> (e)	<u>Base Tariff Percent Increase</u> (f)	<u>Total Billed Revenue at Present Rates (2)</u> (g)	<u>Total General Increase</u> (h)	<u>Total Sch 197 - PGA Increase</u> (i)	<u>Total Billed Revenue at Proposed Rates (3)</u> (j)	<u>Percent Increase on Billed Revenue</u> (k)
1	General Service	101	\$50,365	\$1,073	\$51,438	2.1%	\$49,408	\$1,073	-\$799	\$49,682	0.6%
2	Large General Service	111/112	\$15,566	\$243	\$15,809	1.6%	\$15,175	\$243	-\$326	\$15,092	-0.5%
3	Interruptible Service	131/132	\$209	\$3	\$212	1.4%	\$209	\$3	-\$6	\$206	-1.4%
4	Transportation Service	146	\$314	\$11	\$325	3.5%	\$315	\$11	\$0	\$326	3.5%
5	Special Contracts	148	<u>\$97</u>	<u>\$0</u>	<u>\$97</u>	0.0%	<u>\$97</u>	<u>\$0</u>	<u>\$0</u>	<u>\$97</u>	0.0%
6	Total		\$66,551	\$1,330	\$67,881	2.0%	\$65,204	\$1,330	-\$1,131	\$65,403	0.3%

(1) Includes Schedule 150 - Purchased Gas Cost Adjustment

(2) Includes Schedule 155 - Gas Rate Adjustment

(3) Includes Schedule 155 - Gas Rate Adjustment and Schedule 197 - PGA Rate Adjustment

**AVISTA UTILITIES  
IDAHO GAS, CASE NO. AVU-G-12-07  
PRESENT AND PROPOSED RATE COMPONENTS BY SCHEDULE**

**Effective October 1st, 2013**

(a)	Base Rate (1) (b)	Present Rate Adj.(2) (c)	Present Billing Rate (d)	General Rate Increase (e)	Proposed Sch. 197 PGA Adj. Rate (f)	Proposed Billing Rate (g)	Proposed Base Rate (1) (h)
<b><u>General Service - Schedule 101</u></b>							
Basic Charge	\$4.25		\$4.25	\$0.00		\$4.25	\$4.25
Usage Charge:							
All therms	\$0.86981	(\$0.01785)	\$0.85196	\$0.02003	(\$0.01489)	\$0.85710	\$0.88984
<b><u>Large General Service - Schedule 111</u></b>							
Usage Charge:							
First 200 therms	\$0.89107	(\$0.01785)	\$0.87322	\$0.02005	(\$0.01489)	\$0.87838	\$0.91112
200 - 1,000 therms	\$0.73616	(\$0.01785)	\$0.71831	\$0.01026	(\$0.01489)	\$0.71368	\$0.74642
1,000 - 10,000 therms	\$0.65780	(\$0.01785)	\$0.63995	\$0.00927	(\$0.01489)	\$0.63433	\$0.66707
All over 10,000 therms	\$0.60617	(\$0.01785)	\$0.58832	\$0.00845	(\$0.01489)	\$0.58188	\$0.61462
Minimum Charge:							
per month	\$90.99		\$90.99	\$4.01		\$95.00	\$95.00
per therm	\$0.43612	(\$0.01785)	\$0.41827		(\$0.01489)	\$0.40338	\$0.43612
<b><u>Interruptible Service - Schedule 132</u></b>							
Usage Charge:							
All Therms	\$0.52985		\$0.52985	\$0.00759	(\$0.01489)	\$0.52255	\$0.53744
<b><u>Transportation Service - Schedule 146</u></b>							
Basic Charge	\$225.00		\$225.00	\$0.00		\$225.00	\$225.00
Usage Charge:							
All Therms	\$0.11649		\$0.11649	\$0.00426		\$0.12075	\$0.12075

(1) Includes Schedule 150 - Purchased Gas Cost Adjustment  
(2) Includes Schedule 155 - Gas Rate Adjustment

**STIPULATION AND SETTLEMENT**  
**Case Nos. AVU-E-12-08 & AVU-G-12-07**

**ATTACHMENT D**

Avista Corporation  
 State of Idaho  
BPA Rate Adjustment Offset

ID portion of BPA Settlement	-\$3,846,000
Conversion Factor	0.995010
Revenue Requirement	<u><u>-\$3,865,288</u></u>

**15 Month Amortization**

<u>Sch</u>	<u>Pro Forma kWh</u>	<u>BPA Reduction</u>
1	1,454,376,696	(\$1,320,981)
11&12	418,029,209	(\$379,688)
21&22	847,204,858	(\$769,499)
25	373,474,024	(\$339,219)
25P	1,079,930,838	(\$980,879)
31&32	65,224,871	(\$59,242)
41-49	17,372,742	(\$15,779)
Total	<u><u>4,255,613,238</u></u>	<u><u>(\$3,865,288)</u></u>

Uniform cents reduction                      (\$0.00091)

\* Effective October 1st, 2013 through December 31st, 2014

\*\* Any residual balance will be trued up in a future PCA filed by the Company.

AVISTA CORPORATION  
d/b/a Avista Utilities

**SCHEDULE 97  
BONNEVILLE POWER ADMINISTRATION SETTLEMENT - IDAHO**

**AVAILABLE:**

To Customers in the State of Idaho where Company has electric service available.

**PURPOSE:**

To adjust electric rates for revenues related to the Bonneville Power Administration settlement.

**MONTHLY RATE:**

The energy charges of electric Schedules 1, 11, 12, 21, 22, 25, 25P, 31, 32 and 41-49 are to be decreased by 0.091¢ per kilowatt-hour in all blocks of these rate schedules.

**TERM:**

The energy charges will be reduced for a fifteen month period, from October 1, 2013 through December 31, 2014. Any residual balance will be trued up in a future PCA filed by the Company.

**SPECIAL TERMS AND CONDITIONS:**

Service under this schedule is subject to the Rules and Regulations contained in this tariff. The above Rate is subject to increases as set forth in Tax Adjustment Schedule 58.

Issued September XX, 2013

Effective October 1, 2013

Issued by Avista Utilities  
By

Kelly Norwood, Vice President, State & Federal Regulation

Attachment D

Stipulation and Settlement  
Case No. AVU-E-12-08 and AVU-G-12-07  
Avista  
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Avista Corporation  
 State of Idaho  
PGA Rate Adjustment Offset

Refund of Deferred Gas Costs	-\$1,542,264
Conversion Factor	0.995009
Revenue Requirement	<u><u>-\$1,550,000</u></u>

15 Month Amortization

	Rate <u>Sch</u>	Pro Forma <u>Therms</u>	PGA <u>Reduction</u>
	101	74,508,535	(\$1,109,559)
	111&112	29,081,957	(\$433,080)
	131&132	494,346	(\$7,362)
	Total	<u><u>104,084,838</u></u>	<u><u>(\$1,550,000)</u></u>

Uniform cents reduction (\$0.01489)

\* Effective October 1st, 2013 through December 31st, 2014

\*\* Any residual balance will be trued up in a future PGA filed by the Company.

AVISTA CORPORATION  
d/b/a Avista Utilities

**SCHEDULE 197  
REFUND OF DEFERRED GAS COSTS - IDAHO**

**AVAILABLE:**

To Customers in the State of Idaho where Company has natural gas service available.

**PURPOSE:**

To adjust natural gas rates for the refund of prior deferred gas costs.

**MONTHLY RATE:**

The energy charges of natural gas Schedules 101, 111, 112, 131, and 132 are to be decreased by 1.489¢ per therm in all blocks of these rate schedules.

**TERM:**

The energy charges will be reduced for a fifteen month period, from October 1, 2013 through December 31, 2014. Any residual balance will be trued up in a future PGA filed by the Company.

**SPECIAL TERMS AND CONDITIONS:**

Service under this schedule is subject to the Rules and Regulations contained in this tariff. The above Rate is subject to increases as set forth in Tax Adjustment Schedule 158.

Issued September XX, 2013

Effective October 1, 2013

Issued by Avista Utilities  
By

Kelly Norwood, Vice President, State & Federal Regulation

Attachment D

Stipulation and Settlement  
Case No. AVU-E-12-08 and AVU-G-12-07  
Avista  
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