

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

<b>IN THE MATTER OF THE APPLICATION</b>	)	<b>CASE NOS. AVU-E-12-08</b>
<b>OF AVISTA CORPORATION DBA AVISTA</b>	)	<b>AVU-G-12-07</b>
<b>UTILITIES FOR AUTHORITY TO</b>	)	
<b>INCREASE ITS RATES AND CHARGES FOR</b>	)	<b>NOTICE OF</b>
<b>ELECTRIC AND NATURAL GAS SERVICE</b>	)	<b>PROPOSED SETTLEMENT</b>
<b>IN IDAHO</b>	)	
	)	<b>NOTICE OF</b>
	)	<b>AMENDED SCHEDULE</b>
	)	
	)	<b>NOTICE OF PUBLIC AND</b>
	)	<b>TECHNICAL HEARINGS</b>
	)	
	)	<b>ORDER NO. 32740</b>

---

On October 11, 2012, Avista Corporation dba Avista Utilities applied to the Commission for authority to increase its electric base rates by \$11.4 million (4.6%) and its natural gas base rates by \$4.6 million (7.2%). Application at 1. The Company proposed that the new rates take effect on April 1, 2013. *See* Amendment to Application. The Commission subsequently suspended the proposed effective date and allowed the following parties to intervene in the case: Idaho Forest Group, LLC; Clearwater Paper Corporation; Community Action Partnership Association of Idaho (CAPAI); Idaho Conservation League (ICL); and Snake River Alliance (SRA). The Commission also set deadlines for the parties to file testimony and exhibits and tentatively scheduled a technical hearing date. *See* Order Nos. 32671, 32678, 32680 and 32687, and 32689.

Settlement conferences occurred on January 17 and 24, 2013 and, on February 6, 2013, the Company, Staff, Idaho Forest Group, Clearwater Paper, and ICL filed a Stipulation and Settlement that proposes to fully resolve the case.<sup>1</sup> Additionally, all the parties (including CAPAI and SRA) agreed to an amended case schedule.

With this Order, we provide notice of the settlement, adopt the amended schedule, and set technical and public hearings.

---

<sup>1</sup> CAPAI participated in settlement discussions and is continuing to review its position with regard to the Stipulation and Settlement, and will be filing separate comments and/or testimony in that regard. SRA, as an intervenor, was provided notice of the settlement discussions, but did not participate.

## NOTICE OF PROPOSED SETTLEMENT

YOU ARE HEREBY NOTIFIED that, in summary, the Stipulation and Settlement proposes to fully resolve the case as follows:<sup>2</sup>

### ***1. Overview of Settlement and Revenue Requirement***

The signing parties agreed that Avista should be allowed to recover its revenue requirement in two steps. After the two step process occurs, Avista will not file another electric or natural gas general rate case before May 31, 2014, and new rates arising from that filing will not go into effect before January 1, 2015. The two steps are, in sum:

#### 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>3</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.

---

<sup>2</sup> The actual Stipulation and Settlement, including its attachments, is about 36 pages long and much more detailed than this summary. Interested persons may view the actual Stipulation and Settlement at the Commission's offices or on the Commission's web site. Further instructions for viewing the Stipulation and Settlement are provided below.

<sup>3</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 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 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.

## **2. Cost of Capital**

The signing parties agreed to the following capital structure and rate of return:

<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%
<b>Total</b>	<b>100.00%</b>		<b>7.91%</b>

The Company will refund to customers one-half of any earnings above the 9.8% return on equity 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.

## **4. Percentage Increase by Service Schedule**

The following tables reflect the agreed upon percentage increase by schedule for electric and natural gas service:

**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>

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

<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.

**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>

<b>Natural Gas 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>
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.		

YOU ARE FURTHER NOTIFIED that the Commission is not bound by the Settlement and Stipulation, although the stipulating parties (the Company, Commission Staff, Idaho Forest Group, Clearwater Paper, and ICL) represent that it is in the public interest and that all its terms and conditions are fair, just and reasonable.

YOU ARE FURTHER NOTIFIED that the Stipulation and Settlement, Application, and supporting workpapers, testimony, and exhibits are available for public inspection during regular business hours at the Commission offices. They also may be viewed on the Commission’s web site at [www.puc.idaho.gov](http://www.puc.idaho.gov) by clicking on “File Room” and then “Electric Cases” and/or “Gas Cases” and then going to the case numbers referenced in the above caption.

**NOTICE OF AMENDED SCHEDULE**

YOU ARE FURTHER NOTIFIED that the Commission adopts the following amended schedule pursuant to the agreement of the parties:

<b>DATE</b>	<b>ACTIVITY</b>
February 25, 2013	Deadline for parties (Company/Staff/Intervenors) to file direct testimony and exhibits
March 1, 2013	Deadline for rebuttal testimony and exhibits
March 4 and 5, 2013	Customer Hearings
March 7, 2013	Technical Hearing

The prepared testimony and exhibits must conform to the requirements of Rules 231, 266 and 267 of the Commission's Rules of Procedure. Reference IDAPA 31.01.01.231 and .266-267. The above deadlines are for testimony and exhibit filing with the Commission. E-copy service on parties of record should be made on the same date to the extent practicable with full service of testimony and exhibits provided to parties of record no later than the following business day.

### **NOTICE OF PUBLIC AND TECHNICAL HEARINGS**

YOU ARE FURTHER NOTIFIED that the Commission will convene **two public hearings** in this matter. The purpose of the public hearings is to take testimony from Avista's customers and other interested members of the public. The first public hearing will convene on **MONDAY, MARCH 4, 2013 AT 7:00 P.M. AT THE RED LION HOTEL, 621 21<sup>ST</sup> STREET, LEWISTON, IDAHO.**

The second public hearing will convene on **TUESDAY, MARCH 5, 2013 AT 7:00 P.M. AT THE DRIFTWOOD BAY ROOM OF NORTH IDAHO COLLEGE STUDENT UNION BUILDING, 1000 W. GARDEN AVENUE, COEUR D'ALENE, IDAHO.**

YOU ARE FURTHER NOTIFIED that the Commission will convene a **technical hearing** in this matter. The purpose of the technical hearing is to take testimony from the parties (the Company, Staff, and the intervenors). The technical hearing will convene on **THURSDAY, MARCH 7, 2013, AT 9:30 A.M. IN THE COMMISSION'S HEARING ROOM AT 472 WEST WASHINGTON STREET, BOISE, IDAHO.**

YOU ARE FURTHER NOTIFIED that all workshops and hearings in this case 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)

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.

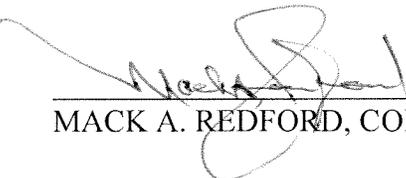
YOU ARE FURTHER NOTIFIED that all proceedings in this matter will be conducted pursuant to the Commission's Rules of Procedure, IDAPA 31.01.01.000 *et seq.*

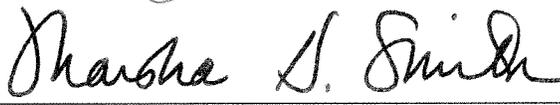
**ORDER**

IT IS HEREBY ORDERED that the above schedule is adopted.

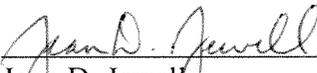
DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 12<sup>th</sup> day of February 2013.

  
\_\_\_\_\_  
PAUL KJELLANDER, PRESIDENT

  
\_\_\_\_\_  
MACK A. REDFORD, COMMISSIONER

  
\_\_\_\_\_  
MARSHA H. SMITH, COMMISSIONER

ATTEST:

  
\_\_\_\_\_  
Jean D. Jewell  
Commission Secretary

O:AVU-E-12-08\_AVU-G-12-07\_kk3

NOTICE OF PROPOSED SETTLEMENT  
NOTICE OF AMENDED SCHEDULE  
NOTICE OF PUBLIC AND TECHNICAL HEARINGS  
ORDER NO. 32740