

DECISION MEMORANDUM

TO: COMMISSIONER REDFORD
COMMISSIONER SMITH
COMMISSIONER KEMPTON
COMMISSION SECRETARY
COMMISSION STAFF

FROM: SCOTT WOODBURY AND KRISTINE SASSER
DEPUTY ATTORNEYS GENERAL

DATE: AUGUST 7, 2008

SUBJECT: CASE NOS. AVU-E-08-01/AVU-G-08-01 (Avista)
SETTLEMENT STIPULATION

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 \$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.

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.

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. The parties recognize that the proposed settlement is not binding on the Commission (RP 276), and that the parties to the settlement carry the burden of showing that the settlement is reasonable, in the public interest, and is otherwise in accordance with law or regulatory policy. RP 275.

In furtherance of the Stipulation, Staff recommends that the following scheduling be adopted.

August 22, 2008	Deadline for filing by parties of testimony in support of Stipulation
August 27, 2008	Public testimony – Sandpoint, Idaho (evening hearing)
August 28, 2008	Technical hearing on settlement Stipulation – Boise, Idaho Public testimony – Lewiston, Idaho (evening hearing)
September 5, 2008	Deadline for filing written comments

The parties also agree that the previously scheduled August 15, 2008 deadline for prefile of Staff and Intervenor direct testimony be vacated.

COMMISSION DECISION

A settlement Stipulation in Case Nos. AVU-E/G-08-01 has been presented. Does the Commission agree with the settlement Stipulation related scheduling proposed by Staff?



Scott D. Woodbury
Deputy Attorney General

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