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BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION)	CASE NO. AVU-E-04-01
OF AVISTA CORPORATION FOR THE)	CASE NO. AVU-G-04-01
AUTHORITY TO INCREASE ITS RATES)	
AND CHARGES FOR ELECTRIC AND)	
NATURAL GAS SERVICE TO ELECTRIC AND)	REBUTTAL TESTIMONY
NATURAL GAS CUSTOMERS IN THE STATE)	OF
OF IDAHO)	BRIAN J. HIRSCHKORN
_____)	

FOR AVISTA CORPORATION

(ELECTRIC AND NATURAL GAS)

1 **Q. Please state your name, business address and present position with the**
2 **Company.**

3 A. My name is Brian J. Hirsch Korn and my business address is 1411 East Mission
4 Avenue, Spokane, Washington. I am the Manager of Pricing in the Rates Department.

5 **Q. Mr. Hirsch Korn, did you file direct testimony in this Case? If so, what**
6 **area(s) did your direct testimony address?**

7 A. I filed direct testimony in this Case that discussed the Company's proposed
8 spread of the general increases for electric and natural gas service among its general service
9 schedules, as well as the proposed rates within each of the schedules. I also provided
10 information regarding the Company's proposal to reduce the level of the present PCA
11 surcharge by extending the recovery period, and information associated with electric service
12 to Potlatch's Lewiston Plant, and the basis for the proposed rates for service to the Plant.

13 **Q. What is the scope of your rebuttal testimony in this proceeding?**

14 A. My rebuttal testimony in this proceeding will address certain rate spread and
15 rate design proposals contained in the direct testimony of Staff witness Schunke, Potlatch
16 witness Peseau, and Coeur Silver Valley witness Yankel. I will also address several
17 proposals made by Staff witnesses Hessing and Fuss related to revenue and rates.
18 Additionally, I provide minor revisions to the Company's original rate spread and rate design
19 associated with the proposed general electric increase based on the proposed revisions to the
20 Company's cost of service study, as discussed in Company witness Knox's rebuttal
21 testimony. Lastly, I provide guidelines that the Company recommends the Commission use
22 in the spread of the approved revenue requirements in this Case.

1 **Q. Are you sponsoring any exhibits to be introduced in this proceeding?**

2 A. Yes. I am sponsoring Exhibit No. 30, which I will discuss later in my
3 testimony.

4 **Electric Rate Spread & Rate Design**

5 **Q. Have you examined the Staff's proposed spread of their recommended**
6 **general electric revenue increase?**

7 A. Yes. Staff witness Schunke describes the Staff's proposed general increase by
8 rate schedule. He uses the results of the cost of service study prepared by Staff witness
9 Hessing, who accepts the Company's original study presented in this Case with the revenue
10 adjustments proposed by the Staff. The results of the Staff's cost of service study are
11 presented on a slightly different basis as compared to the results presented by the Company.
12 The Staff presents the results of its study based on a revenue to total cost ratio, with the total
13 cost for each schedule including the Staff's overall proposed rate of return. The Company's
14 study provides the resulting rate of return for each schedule, which assumes all other costs
15 have been offset by the revenue received from customers. While the Staff's presentation of
16 the cost of service results is reasonable, it should also be examined with the rate of return
17 results provided by the Company. As a comparative example, a revenue to total cost ratio for
18 a specific schedule could well exceed 80%, but produce a rate of return less than zero
19 (negative).

20 **Q. Have you prepared a comparison on a relative rate of return basis (rate**
21 **of return by schedule divided by overall rate of return), of the Staff's proposed rate**
22 **spread and the Company proposed spread?**

1 A. Yes. Column (d), page 1 of Exhibit No. 30 shows the relative rate of return by
2 schedule based on the Company's proposed spread of the original requested general revenue
3 increase of \$35.2 million. As set forth in my direct testimony, the Company proposed a
4 spread of the proposed increase that resulted in a movement in the relative rate of return
5 approximately half way toward unity (1.00). This is illustrated on page 1 of Exhibit No. 30
6 by comparing columns (c) and (d). Column (e) shows the relative rates of return based on the
7 Staff's proposed rate spread and their overall recommended general increase of \$23.1
8 million. A comparison of columns (d) and (e), the results of Company's and Staff's proposed
9 rate spread, shows generally similar movement in the relative rates of return toward unity.
10 However, the results for Potlatch's Lewiston Facility show no movement in relative rate of
11 return under the Staff's rate spread.

12 **Q. In Company witness Knox's rebuttal testimony, she proposes two**
13 **revisions to the Company's cost of service study, one which revises the allocation of**
14 **common costs and the other which revises the allocation of primary distribution costs,**
15 **related to Coeur Silver Valley witness Yankel's testimony. The result of these two**
16 **revisions increases the present rate of return for Schedule 25 customers (including**
17 **Potlatch's Lewiston Facility), and decreases the rate of return for other schedules. Is**
18 **the Company proposing to revise its original rate spread recommended in its direct**
19 **testimony based on these cost of service revisions?**

20 A. Yes. Based on the significant increase in the present rate of return for
21 Schedule 25 that results from these revisions, the Company is proposing to reduce the
22 original proposed general increase for that Schedule from 27.4% to 25.5%. Including the

1 Company's proposed PCA reduction, the net proposed increase for the Schedule is reduced
2 from 15.0% to 13.1%. The reduction in the proposed increase for Schedule 25 is offset by an
3 additional increase to Residential Schedule 1 of 0.3%. These proposed revisions are
4 highlighted (outlined figures) in columns (f) and (h) on page 2 of Exhibit No. 30. No other
5 changes are proposed to the original general increases proposed by the Company for the other
6 schedules.

7 **Q. Do these proposed revisions result in a movement in the rates of return of**
8 **approximately one-half toward unity, as originally proposed by the Company?**

9 A. Yes. Column (f), page 1 of Exhibit No. 30 shows the relative rates of return
10 by schedule with the revisions to the Company's cost of service study. Column (h) shows the
11 relative rates of return after application of the proposed increases shown in column (h) on
12 page 2 of Exhibit No. 30, including the revisions to Schedules 1 and 25. As shown in column
13 (h) on page 1, the relative rates of return move approximately half way toward unity, which is
14 consistent with the Company's original proposal.

15 **Q. Has the Company made adjustments to the Staff's cost of service study to**
16 **reflect the revisions made by Company witness Knox?**

17 A. Yes. I have estimated the impact of the revisions discussed by witness Knox
18 in the Staff's cost of service results, which I will utilize below.

19 **Q. The Company's original requested general increase was \$35.2 million. It**
20 **has reduced its requested increase in its rebuttal testimony to \$31.1 million. Do you**
21 **recommend a guideline that the Commission could use that results in a movement of**
22 **one half toward unity regardless of the overall approved increase?**

1 A. Yes. Based on the Company's (revised) proposed revenue increases by
2 schedule, shown in column (g), page 2 of Exhibit No. 30, I divided the revenue increase for
3 each schedule by the original overall request (\$35.2 million), which results in a ratio of the
4 revenue increase proposed for each schedule. These resulting ratios are shown in the table
5 below and in column (k), page 2 of Exhibit No. 30.

6
7 **Company Recommended Spread of Approved Revenue Increase**

8 Residential Schedule 1	.401
9 General Service Schedule 11	.101
10 Large General Service Schedule 21	.236
11 Extra Large General Schedule 25	.076
12 Potlatch (Schedule 25)	.155
13 Pumping Service Schedule 31	.017
14 Street & Area Light Schedules 41-49	<u>.014</u>
15 Total	1.000

16
17 Applying these ratios to the Staff's overall proposed revenue increase results in
18 revenue and percentage increases by schedule shown in columns (l) and (m) on page 2 of
19 Exhibit No. 30. Application of the resulting revenue increases by schedule under both the
20 Company's original proposed increase of \$35.2 million and the Staff's overall proposed
21 increase to the respective cost of service studies results in the relative rates of return shown in
22 the following table:

1 **Relative Rates of Return by Schedule – Co. & Staff Proposed Revenue Requirement**

2
3
4

	<u>Present Rates</u>	<u>Company Proposed Revenue Require.</u>	<u>Staff Proposed Revenue Require.</u>
5 Residential Sch. 1	0.36	0.68	0.68
6 General Service Sch. 11	1.96	1.48	1.51
7 Lge. General Service Sch. 21	1.68	1.33	1.33
8 Ex. Lge. General Service Sch. 25	0.62	0.85	0.85
9 Potlatch Sch. 25	1.19	1.09	1.10
10 Pumping Service Sch. 31	1.48	1.23	1.23
11 Street & Area Lights Schs. 41-49	0.86	0.87	0.84

12

13 This information is also shown in columns (f), (h) and (i) on page 1 of Exhibit No. 30.

14 As shown, application of the proposed rate spread ratios in the table on page 5 to both the
15 Company and Staff overall revenue increase amounts results in nearly the same one-half
16 movement toward unity in the relative rates of return for each schedule. Therefore, the
17 Company recommends that the rate spread ratios in the table shown on page 5 be applied to
18 the general increase approved by the Commission.

19 **Q. What changes is the Company proposing to the rates within Residential**
20 **Schedule 1 and Extra Large General Schedule 25 to result in the rate spread revisions**
21 **discussed earlier?**

22 A. Page 3 of Exhibit No. 30 shows the Company's revised proposed rates for
23 Schedules 1 and 25, with the changes shown in bold. This Exhibit is similar to page 6 of
24 Exhibit No. 20, filed in my direct testimony, and the rates within the two Schedules can be

1 compared between the two Exhibits. As shown, the rates for each of the two blocks
2 contained in Residential Schedule 1 have been increased by 0.02 cents per kwh compared to
3 the proposed rates in my direct testimony. For Schedule 25, the first block energy rate has
4 been decreased by 0.244 cents per kwh and the second block rate has been increased by 0.002
5 cents per kwh compared to the original proposed rates for the Schedule. The proposed
6 changes to the rates for Schedule 25 was an iterative process that maintained the original
7 proposed revenue increase for Potlatch's Lewiston Facility and resulted in the reduction in
8 the proposed increase for other Schedule 25 customers.

9 **Q. Depending on the overall general electric revenue level approved by the**
10 **Commission in this Case, how would you propose to adjust the rates within the**
11 **Schedules, given the rate spread methodology discussed earlier?**

12 **A.** Starting with Residential Schedule 1, if the Commission approves the
13 Company's proposed increase in the monthly basic charge from \$4.00 to \$5.00, I would
14 propose that the rates for the two energy usage blocks be adjusted on an equal cents per kwh
15 basis from the proposed levels shown in column (e), page 3 of Exhibit No. 30. However, if
16 the Commission does not approve an increase in the basic charge, I would propose that a
17 higher percentage increase be applied to the present first block rate (0-600 kwhs), as
18 recommended by Staff witness Schunke, on page 10 of his testimony.

19 With regard to General Service Schedules 11, 21 and 25, the Staff agrees with the
20 Company's proposed increases to the minimum and demand charges under those Schedules.
21 The Company recommends that the proposed energy rates within those Schedules be adjusted
22 on a uniform percentage basis from the proposed rates for Schedules 11 and 21, shown in

1 column (e) on page 6 of Exhibit No. 20, and for Schedule 25, as shown on page 3 of Exhibit
2 No. 30.

3 For Pumping Schedule 31, the Company proposes that the rates be adjusted on a
4 uniform cents per kwh basis, and for Street and Area Light Schedules, all rates be revised by
5 the overall increase applied to the Schedules.

6 **Other Electric Issues**

7 **Q. On pages 10 and 11 of Staff witness Schunke's testimony, he recommends**
8 **that the Residential basic charge not be increased from the present level of \$4.00 per**
9 **month to \$5.00, as proposed by the Company. He states that the basic charge should**
10 **not recover any fixed plant costs and references Commission Order No. 29505 in the**
11 **recent Idaho Power Case to support his proposal. Does the Company still propose to**
12 **increase the basic charge in light of Mr. Schunke's testimony?**

13 **A. Yes, it does. With all due respect to the Commission's recent Order, the**
14 **Company believes that the basic charge should recover more than meter reading and billing**
15 **costs. There is a meter and a service line on the customer's property that is dedicated to serve**
16 **that customer. It is appropriate for the basic charge to cover the cost associated with plant**
17 **(meter and service line) that is on the customer's property and dedicated to serve that**
18 **customer, as well as meter reading and billing costs. As shown in column (e) page 7 of**
19 **Exhibit No. 20, these costs exceed the \$5.00 basic charge proposed by the Company.**

20 **Q. With regard to the Company's proposed two energy block rate structure**
21 **for General Service Schedule 11, on pages 12-14 of Mr. Schunke's testimony, he**
22 **recommends that the Company's proposal be accepted for now. However, he also**

1 recommends that in the Company's next general case, this rate structure be eliminated
2 and that customers served under Schedule 11 be divided into two schedules, those with
3 demand meters and those without. Do you have any concerns with regard to Mr.
4 Schunke's recommendation to create these two schedules in the future?

5 A. Not at this time, however, as stated by Mr. Schunke, the Company does not
6 have all the information at this time to implement such a change in rate structure. Over
7 16,000 customers are served under this Schedule and, as pointed out by Mr. Schunke, a study
8 is needed to assess the effects of separating those customers into two rate schedules. The
9 Company will conduct such a study prior to its next general filing, provide the results of the
10 study to the Commission, and collectively assess whether Mr. Schunke's proposal should be
11 implemented.

12 Q. On pages 21 and 22 of Staff witness Hessing's testimony, he agrees with
13 the Company's proposed PCA rate reduction methodology, however, he proposes using
14 the actual PCA deferral balance, rather than the estimated balance provided in the
15 Company's direct Case. Do you agree with Mr. Hessing's recommendation?

16 A. Yes. The PCA rate reduction could be based on recovery of the most recent
17 actual deferral balance over the next two years. The Company used an estimated balance and
18 implementation date in its direct testimony, as that was the best information it had at that
19 time.

20 Q. On pages 22-24 of Mr. Hessing's testimony, he also recommends that once
21 the present PCA balance is recovered, that the PCA rate spread methodology for any
22 future rebates or surcharges be changed from the present uniform percentage spread

1 across the schedules to a uniform cents per kwh to all schedules. Do you agree with Mr.
2 Hessing proposal?

3 A. Yes. From a cost causation viewpoint, an equal cents per kwh application to
4 all schedules is more appropriate than the present methodology. I also agree with Mr.
5 Hessing's proposed timing of the change in methodology, when the present deferral balance
6 is recovered.

7 Q. Turning now to Potlatch witness Peseau's testimony, on pages 45 and 46
8 of his testimony, he recommends that a separate rate schedule be established for
9 Potlatch's Lewiston Facility. Do you agree with his recommendation?

10 A. Mr. Peseau's recommendation does have merit, especially as rates are moved
11 closer to the cost of providing service in the future. In the Company's direct filing, I have
12 proposed a two-block rate structure for Schedule 25 that partially addresses cost of service
13 and fairness issues between large Schedule 21 customers and Schedule 25 customers (pages
14 21-25 of my direct testimony). That rate structure also reflects the lower cost of providing
15 service to Potlatch's Lewiston Facility as a Schedule 25 customer by pricing the majority of
16 their usage at the lower tail-block rate. As a result of the changes to the Company's cost of
17 service study discussed earlier, in order to accomplish the same relative movement toward
18 cost of service and maintain Potlatch as a Schedule 25 customer, the reduction in the
19 proposed general increase for Schedule 25 (from 27.4% to 25.5%), had to be accomplished
20 entirely through a reduction in the first block rate. If rates are to move closer to cost of
21 service in the future, it will become more difficult to design Schedule 25 rates that maintain
22 Potlatch's Lewiston Facility as a Schedule 25 customer.

1 **Q. If the Commission created a separate rate schedule for Potlatch's**
2 **Lewiston Facility as a result of this proceeding, would the Company alter its**
3 **recommended revision to Schedule 25 energy rates, as discussed earlier?**

4 A. Yes. If the Commission created a separate schedule for Potlatch, I would
5 propose that the original proposed energy rates for Schedule 25, shown in column (e), page 6
6 of Exhibit No. 20, be reduced by a uniform percentage to yield the revised overall increase
7 for the Schedule.

8 **Q. On pages 44 and 45 of Mr. Peseau's testimony, he also recommends that**
9 **the rates for all service schedules be moved to full cost of service (unity) in this Case if**
10 **the overall increase is less than 10%. If the overall increase exceeds 10%, he**
11 **recommends that all schedules be moved to unity over the next two years. Do you agree**
12 **with this proposal?**

13 A. No. I believe that the cost of service study is a primary guide to be used in
14 establishing rates and the Company's proposal to move approximately half way toward unity
15 as a result of this Case is appropriate. Even though cost of service should be used as a
16 primary guide, the testimony in this Case has shown that one or two adjustments in cost
17 allocation can significantly change the results of a study. Further, with the changes that have
18 occurred in the electric industry and may continue to occur in the future, unforeseen events
19 could affect current costs and cost allocation. Therefore, I don't believe that it makes sense at
20 this time to establish a schedule for further rate adjustments based on a current cost of service
21 study.

1 **Q. Turning now to Coeur Silver Valley witness Yankel’s testimony, on pages**
2 **10-15 he essentially states that the proposed demand charges under Schedule 25 are too**
3 **low and that the proposed rates for Schedule 25 do not send a strong enough price**
4 **signal for customers to improve their load factor. Do you agree with this portion of Mr.**
5 **Yankel’s testimony?**

6 **A. I do agree with this portion of Mr. Yankel’s testimony, however, I believe the**
7 **Company’s proposed increases to the demand charges under Schedule 25 are appropriate in**
8 **this Case. The Company is proposing over a 20% increase to the demand charges under**
9 **Schedule 25, which exceeds the overall increase for the Schedule (net of PCA reduction). I**
10 **agree that Schedule 25 demand charges should be further increased, but in reasonable**
11 **amounts over time.**

12 **Q. Within pages 10-15 of his testimony, Mr. Yankel also states that Coeur**
13 **Silver Valley has the highest energy usage and the highest load factor of the customers**
14 **served under Schedule 25 (except for Potlatch) and that the proposed rates for Schedule**
15 **25 do not reasonably reflect this fact. Do you agree?**

16 **A. No. Page 4 of Exhibit No. 30 shows the proposed increase for each of the**
17 **present Schedule 25 customers based on the revised rates shown on page 3 of Exhibit No. 30.**
18 **As shown, Coeur Silver Valley would receive the lowest increase (10.3%) of any customer**
19 **and significantly less than the overall increase for the Schedule (13.1%).**

20 **Natural Gas Rate Issues**

21 **Q. On page 19 of Mr. Schunke’s testimony, he proposes no change to the**
22 **present basic charge under Gas General Service Schedule 101 (residential and small**

1 **commercial), which is presently \$3.28. Does the Company still believe its proposed**
2 **increase to \$5.00 per month is reasonable?**

3 A. Yes. As stated on page 39 of my direct testimony, the present basic charge of
4 \$3.28 has been in effect since 1989. Obviously, the cost of providing service has increased
5 over the past fifteen years. As previously stated, the Company believes that the basic charge
6 should recover a reasonable level of costs that are dedicated to provide service to a customer.
7 The Company believes these costs not only include meter reading and billing, but also the
8 cost associated with providing a meter and service line. As shown on page 4 of Exhibit No.
9 23, the average cost associated with these expenses is well over \$9 per customer per month.
10 Increasing the basic charge to \$5.00 per month in this proceeding is not unreasonable.

11 **Q. Does the Staff support uniform customer (basic) charges for residential**
12 **electric and natural gas service?**

13 A. Yes. Staff witness Parker states on page 6 of her testimony that “Uniform
14 customer charges are certainly easier for customers to understand and for the Company to
15 administer.” Witness Parker goes on to state “Although the Staff supports uniform customer
16 charges, Staff does not support the Company’s proposed increase to \$5.00.” Witness Parker
17 also discusses customer opposition received to the Company’s proposed increases in
18 customer charges. However, it should be noted that customer charges of \$5.00 or more per
19 month are common for other utility services such as telephone, water, sewer, etc.

20 **Q. Given the Staff’s overall proposed gas revenue increase, do you have any**
21 **other concerns with the Staff’s proposed rates for the Company’s gas service schedules?**

1 A. Yes. As stated on pages 41 and 42 in my direct testimony, the rates for
2 General Service Schedules 101, 111 and 121 provide a distinction for customer placement on
3 a schedule based on usage. The Staff's proposed rates under Schedules 111 and 121 changes
4 the present relationship between the Schedules and could cause additional customer shifting
5 between rate schedules. Further, the Staff's proposed minimum charges for Schedules 111
6 and 121 incorporate current PGA gas costs under Schedule 150, regardless of the customer's
7 usage. The Company believes that it is more reasonable to increase the fixed minimum
8 charge under those Schedules by the increase in margin, as described in my direct testimony,
9 and bill the present Schedule 150 rate only for those therms used by the customer. The
10 Company's proposed rates incorporate the present Schedule 150 rate in the block usage rates
11 under those Schedules and as an additional variable charge to the monthly minimum charge.

12 **Q. Would you propose to use the rate design methodology described on**
13 **pages 41 and 42 of your direct testimony, regardless of the level of the approved gas**
14 **increase?**

15 A. Yes.

16 **Q. Have you revised the Staff's proposed rates for Schedules 111 and 121**
17 **based on the Staff's proposed increase to those Schedules and the parameters you**
18 **addressed above?**

19 A. Yes. Page 5 of Exhibit No. 30 shows a comparison of the rates proposed by
20 Staff and the rates the Company would propose to produce the same level of revenue for
21 those Schedules and meet the parameters addressed above.

1 **Q. On page 11 of Staff witness Fuss' testimony, he proposes an adjustment**
2 **that increases current gas revenue and decreases the Company's proposed revenue**
3 **requirement by \$23,000. Do you agree with his proposed adjustment?**

4 A. Yes. I have discussed this adjustment with Mr. Fuss and agree that it is
5 appropriate.

6 **Other Issues**

7 **Q. On page 17 of Mr. Fuss' testimony, he proposes that the Company add a**
8 **tariff sheet that shows the actual billing rates under each schedule by summarizing the**
9 **base tariff rate and all other applicable (adder) rate schedules. Do you agree with his**
10 **proposal?**

11 A. Yes. In fact, the Company presently prepares such a summary sheet for
12 internal purposes and revises it each time rates change. Filing a summary sheet with this
13 information would provide the Commission and other interested parties with a quick
14 reference to the Company's actual billing rates.

15 **Q. On pages 7 and 8 of Staff witness Parker's testimony, she recommends**
16 **elimination of the Company's present charge of \$4.00 for reconnecting an additional**
17 **service at a premise where more than one service (electric and gas) have been**
18 **disconnected. Do you agree with her proposal?**

19 A. I believe this proposal is reasonable and the Company would make the tariff
20 changes set forth in her testimony if approved by the Commission.

21 **Q. Does that complete your rebuttal testimony in this proceeding?**

22 A. Yes, it does.

DAVID J. MEYER
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AUTHORITY TO INCREASE ITS RATES)	
AND CHARGES FOR ELECTRIC AND)	
NATURAL GAS SERVICE TO ELECTRIC AND)	EXHIBIT NO. 30
NATURAL GAS CUSTOMERS IN THE STATE)	
OF IDAHO)	BRIAN J. HIRSCHKORN
_____)	

FOR AVISTA CORPORATION

ELECTRIC AND NATURAL GAS SUPPLEMENTAL MATERIAL

AVISTA UTILITIES
IDAHO - ELECTRIC
RELATIVE RATES OF RETURN BY RATE SCHEDULE - COMPANY REVISED COST OF SERVICE STUDY
YEAR ENDED DECEMBER 31, 2002

Line No.	Type of Service (a)	Schedule Number (b)	Original Cost of Service Study			Revised Cost of Service Study			
			Present Rates As Filed by Company (c)	Prop. Rates As Filed by Company (d)	Prop. Rates As Filed by Staff (e)	Present Rates Revised Cost of Service (f)	Percentage of Total Rev. Require. (g)	Prop. Rates Company Rev. Require. (h)	Prop. Rates Staff Rev. Require. (i)
1	Residential	1	0.42	0.71	0.74	0.36	0.401	0.68	0.68
2	General Service	11	2.06	1.53	1.49	1.96	0.101	1.48	1.51
3	Large General Service	21	1.73	1.36	1.29	1.68	0.236	1.33	1.33
4	Extra Large General Service	25	0.25	0.63	0.64	0.62	0.076	0.85	0.85
5	Potlatch	25	1.11	1.05	1.11	1.19	0.155	1.09	1.10
6	Pumping Service	31	1.54	1.27	1.23	1.48	0.017	1.23	1.23
7	Street & Area Lights	41-49	0.97	0.92	0.89	0.86	0.014	0.87	0.84
8	Total		1.00	1.00	1.00	1.00	1.000	1.00	1.00

AVISTA UTILITIES
REVISED PROPOSED GENERAL INCREASE BY RATE SCHEDULE
IDAHO - ELECTRIC
12 MONTHS ENDED DECEMBER 31, 2002
(000s of Dollars)

Line No.	Type of Service	Schedule Number	Revenue Under Pres. Base Rates(1)	Company Revenue Requirement				Staff Revenue Requirement				
				Proposed General Increase as Filed	General Percent Increase as Filed	Revised Proposed General Increase	Revised General Percent Increase	Proposed General Increase	General Percent Increase	Co. Proposed Spread of General Increase	Co. Proposed Spread of Staff Increase	% Spread of Staff Increase
	(a)	(b)	(c)	(d)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)
1	Residential	1	\$52,648	\$13,937	26.5%	\$14,134	26.8%	\$9,878	18.8%	0.401	\$9,255	17.6%
2	General Service	11	\$16,212	\$3,560	22.0%	\$3,560	22.0%	\$1,846	11.4%	0.101	\$2,333	14.4%
3	Large General Service	21	\$34,804	\$8,295	23.8%	\$8,295	23.8%	\$4,473	12.9%	0.236	\$5,439	15.6%
4	Extra Large General Service	25	\$10,475	\$2,870	27.4%	\$2,670	25.5%	\$2,100	20.0%	0.076	\$1,753	16.7%
5	Potlatch	25	\$27,696	\$5,463	19.7%	\$5,466	19.7%	\$4,116	14.9%	0.155	\$3,580	12.9%
6	Pumping Service	31	\$2,549	\$597	23.4%	\$597	23.4%	\$345	13.5%	0.017	\$391	15.3%
7	Street & Area Lights	41-49	\$1,864	\$500	26.8%	\$500	26.8%	\$321	17.2%	0.014	\$328	17.6%
8	Total		\$146,248	\$35,222	24.1%	\$35,222	24.1%	\$23,079	15.8%	1.000	\$23,079	15.8%

(1) Excludes all present rate adjustments / Reflects only base tariff rates

**AVISTA UTILITIES
IDAHO - ELECTRIC
REVISED PROPOSED RATES FOR SCHEDULES 1 & 25**

(a)	Base Tariff <u>Sch. Rate</u> (b)	Present PCA & Other Adj.(1) (c)	Present Billing Rate (d)	General Rate <u>Increase</u> (e)	PCA <u>Decrease</u> (f)	Net <u>Increase</u> (g)	Proposed Billing Rate (h)	Proposed Base Tariff Rate (i)
<u>Residential Service - Schedule 1</u>								
Basic Charge	\$4.00	-	\$4.00	\$1.00	-	\$1.00	\$5.00	\$5.00
Energy Charge:								
First 600 kWhs	\$0.04555	\$0.00700	\$0.05255	\$0.01323	(\$0.00520)	\$0.00803	\$0.06058	\$0.05878
All over 600 kWhs	\$0.05303	\$0.00853	\$0.06156	\$0.01323	(\$0.00673)	\$0.00650	\$0.06806	\$0.06626
<u>Extra Large General Service - Schedule 25</u>								
Energy Charge:								
First 500,000 kWhs(2)	\$0.02874	\$0.00616	\$0.03490	\$0.01275	(\$0.00336)	\$0.00939	\$0.04429	\$0.04149
All over 500,000 kWhs(2)	\$0.02874	\$0.00616	\$0.03490	\$0.00548	(\$0.00336)	\$0.00212	\$0.03702	\$0.03422
Demand Charge:								
3,000 kva or less	\$7,500	-	\$7,500	\$1,500	-	\$1,500	\$9,000	\$9,000
Over 3,000 kva	\$2.25/kva	-	\$2.25/kva	\$0.50/kva	-	\$0.50/kva	\$2.75/kva	\$2.75/kva
Primary Voltage Discount	\$0.20/kva	-	\$0.20/kva	-	-	-	\$0.20/kva	\$0.20/kva
Annual Minimum	Present: \$406,140 plus \$0.00616/kwh			Proposed: \$528,040 plus \$0.00280/kwh				

(1) Includes all present rate adjustments: Schedule 59 - Residential Exchange Credit, Schedule 65 - Centralia Credit, Schedule 66 - PCA Surcharge & Schedule 91 - DSM Rider

**Avista Utilities
Idaho - Electric
Proposed Increase for Schedule 25 Customers - Revised Rate Spread
Based on 2002 Usage**

	<u>Percentage Increase(1)</u>
Coeur Silver Valley Inc.	10.3%
Univ. of Idaho - East Campus	11.3%
Univ. of Idaho - West Campus	11.7%
Hecla Mining	11.7%
Potlatch-St. Maries	12.0%
Blount Industries	13.0%
Stimson Lumber - CDA	14.3%
Three Rivers Timber	15.1%
Clearwater Forest Industries	15.5%
Potlatch-Post Falls	16.0%
Coeur D Alene Resort	17.1%
J D Lumber Co.	17.4%
Stimson Lumber - Priest River	17.6%
Tri-Pro Cedar Products	18.9%
 Average Increase	 13.1%

(1) Includes all rate adjustments (PCA, DSM, etc.)

**AVISTA UTILITIES
IDAHO - GAS
COMPANY PROPOSED REVISIONS OF STAFF RATE DESIGN
FOR GAS SCHEDULES 111 & 121**

Large General Service Schedule 111	
<u>Staff Proposed Rates</u>	<u>Company Proposed Revisions</u>
1st 200 Therms - 78.190¢/Therm*	1st 200 Therms - 81.316¢/Therm*
Next 800 Therms - 76.379¢/Therm	Next 800 Therms - 76.379¢/Therm
Over 1,000 Therms - 66.182¢/Therm	Over 1,000 Therms - 66.125¢/Therm
*Minimum - \$156.38/Month	*Minimum - \$108.26/Month plus 27.186¢/Therm

Large General Service Schedule 121	
<u>Staff Proposed Rates</u>	<u>Company Proposed Revisions</u>
1st 500 Therms - 77.103¢/Therm*	1st 500 Therms - 80.334¢/Therm*
Next 500 Therms - 76.379¢/Therm	Next 500 Therms - 76.379¢/Therm
Next 9,000 Therms - 66.182¢/Therm	Next 9,000 Therms - 66.125¢/Therm
Over 10,000 Therms - 64.313¢/Therm	Over 10,000 Therms - 64.246¢/Therm
*Minimum - \$385.51/Month	*Minimum - \$265.74/Month plus 27.186¢/Therm

(1) Rates include Purchase Gas Adjustment Schedule 150 / Exclude all other rate adjustments