

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF)	
AVISTA CORPORATION FOR THE)	CASE NO. AVU-E-04-1
AUTHORITY TO INCREASE ITS RATES AND)	AVU-G-04-1
CHARGES FOR ELECTRIC AND NATURAL)	
GAS SERVICE TO ELECTRIC AND NATURAL)	NOTICE OF APPLICATION
GAS CUSTOMERS IN THE STATE OF IDAHO.)	
)	NOTICE OF INTERVENTION
)	DEADLINE
)	
)	NOTICE OF PRE-HEARING
)	CONFERENCE
)	

YOU ARE HEREBY NOTIFIED that on February 6, 2004, Avista Corporation dba Avista Utilities (Avista; Company) filed an Application with the Idaho Public Utilities Commission (Commission) for authority to increase the Company's general rates for electric and natural gas service by averages of 24.1% and 9.2%, respectively. If approved, Company revenues for electric base retail rates would increase by \$35.2 million annually; Company revenues for natural gas service would increase by \$4.7 million annually. A proposed reduction in the Company's current Power Cost Adjustment (PCA) surcharge rate is also requested. The net amount of actual increase varies by class of customer and usage.

THE APPLICATION

The Company's Application states that its existing base rates and charges for electric service were approved as a result of the Commission final Order No. 28097, dated July 29, 1999 in Case No. WWP-E-98-11. *See also* Avista Utilities Tariff No. 28. Avista contends its existing base rates and charges for natural gas service were approved as a result of Commission final Order No. 22974, dated February 12, 1990 in Case No. WWP-G-88-5. *See also* Avista Utilities Tariff No. 27. The Company contends its present electric and natural gas rates will not produce sufficient revenue to provide operating income required to allow it the opportunity to earn the 9.82% rate of return, including a 44.3% equity ratio and an 11.5% return on equity. Accordingly, Avista alleges that unless it is authorized to increase rates as requested, the

Company's rates will not be fair, just and reasonable and it will not have the opportunity to realize a fair rate of return on its investment. Avista states the evidence in support of its need for increased electric and natural gas rates is based on a 2002 test year and is presented on an average basis. In addition, because the Company provides utility service in states other than Idaho a jurisdictional separation of all investments, revenues and expenses allocated or assigned in whole or in part to the Idaho utility business regulated by this Commission are described in its filing.

Avista contends its need for relief regarding its electric service operations is driven primarily by: 1) the addition of significant new generating capabilities; 2) a reduction in wholesale sales revenue; 3) increased fuel costs for thermal generation, primarily natural gas; 4) a decline in electric use per customer; and 5) record low hydro-electric conditions and unprecedented high wholesale market prices, which have resulted in credit ratings below investment grade and increased financing costs. In justifying its proposed increase in natural gas service rates Avista contends its need for relief is driven primarily by: 1) the decline in natural gas usage by customers; 2) the growth in the number of natural gas customers; and 3) the general increase in expenses over the past fourteen years.

The charts below shows the averages of all rate components as proposed by Avista for certain customer groups taking electric or natural gas service from the Company.

Proposed Electric Rate Increase

Customer Group	Current Average Rates (cents/kWh) ⁽¹⁾	Proposed Average Base Rates (cents/kWh) ⁽¹⁾	Overall Percentage Increase
Residential (Sch. 1)	6.08	6.90	13.5%
General Service (Sch. 11)	8.63	9.38	8.7%
Large General Service (Sch. 21)	6.18	6.81	10.1%
Extra Large General Service (Sch. 25)	4.07	4.67	15.0%
Pumping Service (Sch. 31)	6.13	6.87	12.1%

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

Proposed Natural Gas Rate Increase

Customer Group	Current Average Rates (cents/Therm) ⁽¹⁾	Proposed Base Average Rates (cents/Therm) ⁽¹⁾	Overall Percentage Increase
General Service (Sch. 101)	78.69	86.56	10.0%
Large General Service (Sch. 111)	69.08	73.64	6.6%
Large Gen. Svs High Load Factor (Sch. 121)	64.57	67.03	3.8%
Interruptible Service (Sch. 131)	55.72	57.60	3.4%
Transportation Service (Sch. 146) ⁽²⁾	10.57	12.50	18.2%

⁽¹⁾ Includes Purchase Adjustment Schedule 150/Excludes other rate adjustments

⁽²⁾ Average increase in transporter's total gas bill assuming 50 cents per therm gas delivered to Avista System 1.93 cents/60.574 cents (present bill) = 3.2% increase.

Service Charges for Electric and Natural Gas Service

The service charge is designed to recover a portion of the costs associated with providing electrical and natural gas service such as meters, distribution facilities and billing services. Avista has proposed to increase the monthly, basic customer service charge for electric service from \$4.00 to \$5.00 per month and from \$3.28 to \$5.00 for natural gas service. The Company has also proposed changes to service charges or monthly minimum charges for certain other schedules for electric and natural gas service.

Avista Utilities Schedules 11, 21 and 25

In its Application the Company proposes to add an energy usage rate block to each of its electric general service schedules (Schedules 11, 21 and 25), whereby the larger customers served under those schedules would pay a lower incremental energy rate for usage beyond a certain level.

Potlatch Corporation

Avista is also proposing changes to its present Schedule 25 rate structure that will result in Potlatch Corporation (Lewiston) paying an average rate per kWh that is lower than the average rate(s) paid by other Schedule 25 customers.

Issues Deferred from the 2003 Power Cost Adjustment (PCA) Proceeding

Avista also addresses issues surrounding certain gas supply contracts related to Coyote Springs II that the Commission deferred consideration of in the Company's 2003 PCA

proceeding until it filed a general rate proceeding. See Order No. 29377, Case No. AVU-E-03-6.

Advanced Meter Reading (AMR) Program in Idaho

Through its Application the Company is requesting approval of certain accounting and ratemaking treatment related to its proposal to implement an AMR program in Idaho. Avista plans to install meter upgrades to Idaho electric and natural gas meters over a four-year period beginning in 2005 at a cost of approximately \$16.3 million. The Company stated that it does not seek an increase in rates at this time for any AMR costs.

YOU ARE FURTHER NOTIFIED that the Commission in Order No. 29432 has suspended the Company-proposed March 10, 2004 effective date for a period of thirty (30) days plus five (5) months from March 10, 2004, or until such time as the Commission may issue an Order accepting, rejecting or modifying the Application in this matter.

YOU ARE FURTHER NOTIFIED that **persons desiring to intervene** in Case Nos. AVU-E-04-1 and/or AVU-G-04-1 for the purpose of becoming a party, i.e., to present evidence, to acquire rights of cross-examination, to participate in settlement or negotiation conferences, and to make and argue motions **must file a Petition to Intervene** with the Commission pursuant to Rules 72 and 73 of the Commission's Rules of Procedure, IDAPA 31.01.01.072 and -073. Persons desiring to acquire intervenor rights of participation must file a Petition to Intervene **on or before Friday, March 12, 2004**. Persons seeking intervenor status shall also provide the Commission Secretary with their electronic mail address to facilitate future communications in this matter.

YOU ARE FURTHER NOTIFIED that persons desiring to present their views without parties' rights of participation and cross-examination are not required to intervene and may present their comments without prior notification to the Commission or to other parties.

YOU ARE FURTHER NOTIFIED that the Commission Secretary shall issue a Notice of Parties after the deadline for intervention has passed. The Notice of Parties shall assign exhibit numbers to each party in this proceeding.

YOU ARE FURTHER NOTIFIED that a **pre-hearing conference** in Case Nos. AVU-E-04-1 and AVU-G-04-1 has been scheduled to commence at **1:00 p.m. on Tuesday, March 16, 2004, at the Commission Hearing Room, 472 West Washington Street, Boise,**

Idaho (208) 334-0300. Persons desiring to participate telephonically should make prior arrangements with the Commission Secretary (208 334-0338); secretary@puc.state.id.us. The purpose of the pre-hearing conference is to identify intervening parties, to discuss the procedural treatment of PCA—Coyote Springs 2 issues, and to establish hearing dates and deadlines for the filing of testimony.

YOU ARE FURTHER NOTIFIED that discovery is available in Case Nos. AVU-E-04-1 and AVU-G-04-1 pursuant to the Commission’s Rules of Procedure, IDAPA 31.01.01.221-234.

YOU ARE FURTHER NOTIFIED that the Company’s Application together with supporting testimony, exhibits and workpapers in Case Nos. AVU-E-04-1 and AVU-G-04-1 can be reviewed at the Commission’s office in Boise, Idaho and at the Idaho offices of Avista Utilities during regular business hours. The Application is also available for public inspection on the Commission’s Home Page at www.puc.state.id.us under the “File Room” icon and “Electric Cases.”

YOU ARE FURTHER NOTIFIED that the following persons are designated as Avista’s representatives in this matter:

DAVID J. MEYER
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SPOKANE WA 99220-3727
kelly.norwood@avistacorp.com

YOU ARE FURTHER NOTIFIED that Avista’s intrastate revenue requirement, and every component of it, both rate base and expense, are at issue. The Commission may grant, deny, or modify the revenue requirement requested and may find a revenue requirement different from that proposed by any party is just, fair and reasonable. IDAPA 31.01.01.124.01.

YOU ARE FURTHER NOTIFIED that the rates and charges of all Avista retail customers, both recurring and non-recurring, including those of special contract customers, are at issue, and every component of every existing and proposed rate and charge is at issue. The Commission may approve, reject or modify the rates and charges proposed and may find that rates and charges different from those proposed by any party are just, fair and reasonable. IDAPA 31.01.01.124.02.

YOU ARE FURTHER NOTIFIED that the Commission may approve, reject or modify existing or proposed relationships between and among rates and charges within, between or among customer classes or rate groupings and may approve, reject or modify existing or proposed relationships among and between customer classes or rate groupings. IDAPA 31.01.01.124.02.

YOU ARE FURTHER NOTIFIED that the Commission may abolish, reduce or create rate blocks or categories of rates and charges, abolish, create or reduce components of rates and charges, abolish, reduce or create customer classes or rate groupings, and abolish, reduce or create absolute or relative differences among and between existing classes or rate groupings of customers. IDAPA 31.01.01.124.02.

YOU ARE FURTHER NOTIFIED that the tariffs, practices, rules and regulations, service, instrumentalities, equipment, facilities, classifications, and customer relations of the utility are at issue, and the Commission may address any of them in its order. IDAPA 31.01.01.124.02.

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

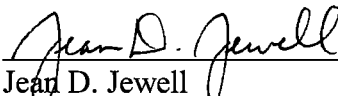
YOU ARE FURTHER NOTIFIED that all proceedings in this matter will be conducted according to the Commission's Rules of Procedure, IDAPA 31.01.01.000 *et seq.*

YOU ARE FURTHER NOTIFIED that all hearings and prehearing conferences in this matter will be held in facilities meeting the accessibility requirements of the Americans with Disabilities Act (ADA). Persons needing the help of a sign language interpreter or other assistance in order to participate in or to understand testimony and argument at a public hearing may ask the Commission to provide a sign language interpreter or other assistance at the hearing.

The request for assistance must be received at least five (5) working days before the hearing by contacting the Commission Secretary at:

IDAHO PUBLIC UTILITIES COMMISSION
PO BOX 83720
BOISE, IDAHO 83720-0074
(208) 334-0338 (Telephone)
(208) 334-3762 (FAX)
E-Mail: secretary@puc.state.id.us

DATED at Boise, Idaho this 25th day of February 2004.



Jean D. Jewell
Commission Secretary

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