

DECISION MEMORANDUM

**TO: COMMISSIONER KJELLANDER
COMMISSIONER SMITH
COMMISSIONER HANSEN
COMMISSION SECRETARY
COMMISSION STAFF
LEGAL**

FROM: CECELIA A. GASSNER

DATE: SEPTEMBER 22, 2006

**SUBJECT: AVISTA'S APPLICATION TO INCREASE THE COMPANY'S ENERGY
EFFICIENCY TARIFF SCHEDULE 191; CASE NO. AVU-G-06-4**

On September 14, 2006, Avista Corporation doing business as Avista Utilities filed its Application to increase the Company's Energy Efficiency Tariff Schedule 191. Schedule 191 is designed to recover the costs incurred by the Company associated with providing natural gas efficiency services to customers. The Company requested Modified Procedure and an effective date of the new tariff of October 13, 2006.

THE APPLICATION

According to Avista's Application, the proposed increase in the Schedule 191 rate is necessary to continue to fund ongoing natural gas-efficiency programs as set forth in Avista's more recent Integrated Resource Plan for natural gas service and to amortize a deficiency balance within the natural gas Demand Side Management (DSM) tariff rider resulting from the Company's response to customer demand for the services that was higher than expected. The Company asserts that the proposed increase will not result in a change in profits for the Company.

Avista states that the existing and planned expenses for the DSM programs are far exceeding revenues. The tariff rider for DSM programs has not changed since 2001. Avista states that as of the close of August 2006, its natural gas DSM tariff rider balance for Idaho is negative \$1.5 million. The proposed tariff rider increase is estimated to erase this liability balance by the end of the second quarter of 2008.

The Application states that the proposed increase is a 1.4% increase, as expressed as a percentage of present gas revenue. The proposed rates will result in a 1.75% total charge for DSM.

Avista states that all Schedule 191 funds will remain within the natural gas efficiency rider programs. Avista will continually assess demand for the services and program financial balances and propose revisions to Schedule 191 as needed. The Company states that the programs are cost-effective and that the additional funding will expand the availability of the programs. The Company provided a copy of its customer notice and press release announcing the proposed tariff change.

STAFF RECOMMENDATION

Staff recommends that this matter be processed by Modified Procedure. In a letter accompanying the Application, the Company has requested an effective date of October 13, 2006. In order to allow Staff to conduct the necessary audit and analysis of the proposed tariff change, Staff recommends that the proposed effective date be suspended for thirty (30) days, until November 13, 2006, with a comment deadline of October 31, 2006.

COMMISSION DECISION

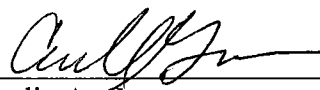
Does the Commission preliminarily find that the public interest may not require a hearing to consider the issues presented, and that this proceeding may be processed under Modified Procedure?

Does the Commission wish to suspend the proposed effective date of the tariff for thirty (30) days?

Does the Commission wish to direct Staff to conduct a public workshop, pursuant to Rule 125, prior to Staff filing comments in this case?

Does the Commission wish to schedule a public hearing for this matter?

Does the Commission wish to set a deadline of October 31, 2006 for submitting comments?



Cecelia A. Gassner