

## DECISION MEMORANDUM

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

**FROM: SCOTT WOODBURY AND KRISTINE SASSER  
DEPUTY ATTORNEYS GENERAL**

**DATE: APRIL 9, 2008**

**SUBJECT: CASE NOS. AVU-E-08-01/AVU-G-08-01 (Avista)  
GENERAL RATE CASE – ELECTRIC/GAS**

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 the Company's general rates for electric and natural gas service in Idaho by averages of 15.8% and 5.8%, respectively. If approved, the Company revenues for electric base retail rates would increase by \$32.3 million annually; Company revenues for natural gas service would increase by \$4.7 million annually. The Company requests an effective date of May 5, 2008 for its proposed electric/gas rate increase.

### **Electricity**

Under the Company's rate proposal, an average residential electric customer (Schedule 1) using 977 kilowatt hours of electricity per month would see a \$10.70 per month increase or 15.9% for a revised monthly bill of \$78.08. This includes a Company proposed increase in the basic monthly customer service charge from \$4.00 to \$4.60. Other electric customers would see an increase between 15.4% and 16.5%.

The proposed revenue increase for electric service requested in this case, the Company states, is driven primarily by increased power supply costs, capital investments in upgrading aging infrastructure to increase capacity and reliability, relicensing costs for Avista's Spokane River Hydropower Project, and the Company's investment in advanced meter reading (AMR).

### **Natural Gas**

Under the Company's rate proposal, an average residential natural gas customer (Schedule 101) who uses 65 therms per month would see a \$4.91 increase or 6.5%, for a revised monthly bill of

\$80.05. This includes a proposed increase in the monthly basic customer service charge from \$3.28 to \$4.00. Larger commercial natural gas customers would see no more than a 3.3% increase. The proposed rate change for natural gas customers, the Company states, does not reflect changes in the cost of natural gas purchased by Avista to serve customers. Changes in the cost of natural gas are reflected in annual Purchased Gas Adjustment.

Driving the natural gas rate request in this case is Avista's investment in expanding the natural gas storage and delivery capacity at its Jackson Prairie Storage Facility and the Company's investment in advanced meter reading (AMR).

Evidence in support of the Company's need for a rate increase for electric and natural gas is based on a 2007 test year. The Company proposes an average rate of return on rate base of 8.74%, with a 47.94% common equity ratio and a 10.8% return on equity. 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 return on its investment.

The Company's base rates and charges for electric and natural gas service were last adjusted in 2004 (Case Nos. AVU-E-04-01/AVU-G-04-1, Order No. 29602). An additional electric rate adjustment related to the Coyote Springs II generating project was implemented April 12, 2005 (Case No. AVU-E-05-01).

### **COMMISSION DECISION**

Avista has filed combined general rate case for its electric and natural gas service in Idaho. Staff recommends that the Commission suspend the rates which are the subject of this Application for a period of 30 days plus 5 months from the proposed May 5, 2008 effective date (*Idaho Code* §§ 61-622 and 61-623). Staff further recommends that the Commission issue a Notice of Application, establish an intervention deadline, and schedule a prehearing conference. Staff will recommend further procedure as the case develops. Does the Commission agree with Staff's recommended procedure?



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Scott D. Woodbury  
Deputy Attorney General

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