BEFORE THE

IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF AVISTA CORPORATION FOR THE AUTHORITY TO INCREASE ITS RATES AND CHARGES FOR ELECTRIC AND NATURAL GAS SERVICE TO ELECTRIC AND NATURAL GAS CUSTOMERS IN THE STATE OF IDAHO	)	CASE NO. AVU-E-08-1 AVU-G-08-1

DIRECT TESTIMONY OF RANDY LOBB IN SUPPORT OF STIPULATION

IDAHO PUBLIC UTILITIES COMMISSION

AUGUST 22, 2008

Q. Please state your name and business address for the record.

A. My name is Randy Lobb and my business address is 472 West Washington Street, Boise, Idaho.

Q. By whom are you employed?

A. I am employed by the Idaho Public Utilities Commission as Utilities Division Administrator.

Q. What is your educational and professional background?

A. I received a Bachelor of Science Degree in Agricultural Engineering from the University of Idaho in 1980 and worked for the Idaho Department of Water Resources from June of 1980 to November of 1987. I received my Idaho license as a registered professional Civil Engineer in 1985 and began work at the Idaho Public Utilities Commission in December of 1987. My duties at the Commission currently include case management and oversight of all technical Staff assigned to Commission filings. I have conducted analysis of utility rate applications, rate design, tariff analysis and customer petitions. I have testified in numerous proceedings before the Commission including cases dealing with rate structure, cost of service, power supply, line extensions, regulatory policy and facility acquisitions.

Q. What is the purpose of your testimony in this case?

A. The purpose of my testimony is to describe the principal components of the filed Stipulation (the Proposed Settlement) and to explain the rationale for Staff's support.

Q. Please summarize your testimony.

A. Staff believes that the comprehensive Proposed Settlement agreed to by all parties is in the public interest, is just and reasonable and should be approved by the Commission.

Staff's support is based on its review of the Avista gas and electric rate case filing, a comprehensive audit of Company test year results of operations and consideration of the rate case issues it intended to present if this case were fully litigated.

The Company originally proposed a revenue increase of $32.33 million for electric service and $4.7 million for natural gas service for an overall base rate increase of 16.7% and 5.8% respectively. The Company proposed a 10.80% return on equity. The Proposed Settlement specifies an annual revenue requirement increase of $23.16 million on the electric side and $3.88 million on the gas side for an overall increase of 11.98% and 4.7%, respectively. The parties agreed to a return on equity of 10.20%

The primary focus of Staff in its review of the Company's filing was to evaluate the 2007 historic results of operations for gas and electric service, assess the adjustments made by the Company to those test year costs and develop a reasonable revenue requirement. Other areas investigated included class cost of service, rate design, prudency of DSM expenditures and affordability.

While Staff's comprehensive audit and review of the Company's filing identified a variety of adjustments to the requested increase, the overwhelming cost drivers were found to be critical facility investment and the rising market price of purchased electricity and natural gas.

Staff's revenue requirement investigation included a review of the Company's capital investment in transmission, generation and metering, expense increases in operation and maintenance, fuel and salaries. Staff also evaluated test year expenditures to determine what costs were known and measureable and used and useful in providing service.

The cost of service study used by the Company in this case was the same study used in the 2004 rate case. While useful in assigning general revenue responsibility for the customer classes, the study utilized stale load data and was not accurate enough to make meaningful changes in class revenue contribution or justify significant changes in rate design. Based on its revenue requirement analysis and cost of service and rate design evaluation, Staff concluded that relatively few facts in this case were in dispute. Staff believed that rather than face the uncertainty of processing the case through a contested technical hearing, customers could be best served by bringing the parties together, candidly discussing its case and negotiating a favorable settlement of issues.

Recognizing also the very real impact that higher gas and electric costs will have on the low income customers of Avista, the Proposed Settlement includes a commitment to investigate alternatives to help mitigate those impacts.

The Settlement

Q. What are the key components of the Proposed Settlement?

A. The Proposed Settlement is attached as Staff Exhibit No. 101. The key components of the Proposed Settlement include an increase in the annual electric revenue requirement of $23.16 million or 11.98% and an increase in the annual natural gas revenue requirement of $3.88 million or 4.74%. The revenue requirement was established using a return on equity of 10.20%, a debt cost of 6.84% and a capital structure of 48%/52% to produce an overall return of 8.45%.

The negotiated adjustments to the Company's original request removed over $9 million from the proposed electric increase through deferral of pending capital and expense additions, removal of proformed test year costs as not known and measurable or not used and useful, and elimination or reduction of inappropriate or unjustified costs. Nearly all of the adjustments made in the natural gas revenue requirement resulted from allocated adjustments made in electric revenue requirement.

The Proposed Settlement is based upon a 2007 historic test year adjusted for known and measurable expense changes and major capital additions through 2008. It also specifies the use of 2009 power supply costs in the Power Cost Adjustment (PCA) mechanism and treatment of power supply costs associated with growing load (retail load and revenue credit).

Other issues addressed in the Proposed Settlement include verification of prudent DSM expenditures, a uniform increase in all customer class revenue except Potlatch Schedule 25P, and an increase in the residential customer charge for both electric and natural gas service. No other rate design changes were included.

Finally, the parties agreed to a series of commitments for customers including increased low income DSM funding, educational outreach for low income customers and the need to address energy affordability through generic workshops.

Revenue Requirement

Q. How did Staff identify adjustments to the Company's case and what were the primary considerations in reaching agreement on the stipulated revenue requirement?

A. Staff identified issues in this case by reviewing the Company's rate case filing and conducting a comprehensive audit of Company test year results of operations. Staff then identified adjustments to the Company proposed revenue requirement. The procedure used by Staff in this case was the same process it uses in preparing for a contested proceeding.

Staff then evaluated the justification for each of the proposed revenue requirement adjustments to determine at what level they could be successfully supported at hearing. Staff established an overall revenue requirement target that it believed could be achieved with reasonable and reliable certainty and then negotiated identified adjustments that had debatable and less compelling justification to arrive at an overall revenue requirement compromise.

Staff's ultimate goal was to balance the needs of the Company for adequate revenue while securing the lowest reasonable rates for customers.

Q. What type of adjustments did Staff identify and how were they evaluated for settlement?

A. The single largest adjustments identified by Staff in this case were those determined to be not "known and measurable" or not "used and useful." For example, Spokane River Relicensing costs, confidentially negotiated agreements and expense increases/capital additions beyond 2008 were all adjustments associated with timing. Either the projects were incomplete or future cost increases were estimated or projected.

Staff believed it possible that some of the larger timing adjustments could potentially be eliminated or cured by the Company as projects and contract terms were finalized by the time the case was processed through hearing.

Q. Why was the Staff unable to identify more definitive adjustments in the Company's proposed revenue requirement?

A. The primary reason is that the Company simply filed a relatively clean case and mitigated the effect of many big ticket increases on which Staff has traditionally focused its investigation. For example, the Company proposed to include capital additions through the end of 2008 and utilize a year-end 2008 rate base rather than a 2008 average. The Company then offset most of the resulting $29 million increase by subtracting from rate base an entire year of depreciation expense and adjusting for deferred taxes. The net effect of the proposal was an increase in rate base of only $716,000 and a revenue requirement increase of less than 1%.

The Company also proposed to calculate power supply costs based on projected 2009 loads. It then reduced the base rate revenue requirement by implementing a Production Property Adjustment to reflect the fact that 2007 loads were used to recover costs. In addition, the Company applied a hydro mitigation adjustment to purposely reduce estimated power supply costs recovered through base rates. Actual costs will be tracked through the PCA but only at 90% of what would have been collected through base rates.

For natural gas service $3 million of the $3.8 million increase agreed to in the Proposed Settlement is associated with acquisition of Jackson Prairie natural gas storage and installation of Automated Meters (AMR). Additional storage will provide benefits to gas customers through the annual Purchase Gas Adjustment (PGA) and AMR provides significant savings in meter reading/customer service expenses.

Finally, much has been made of executive compensation. Newspaper reports cite total compensation for the top five Avista executives of approximately $3.6 million per year. The Proposed Settlement is based on compensation of $1.45 million per year or only 40% of total compensation. While still seemingly high, if all the compensation included in rates for the top 12 Avista executives were eliminated, the effect would be a rate reduction of less than 0.5%.

Return On Equity

Q. What is the return on equity specified in the Proposed Settlement and how was it determined?

A. The Proposed Settlement specifies a return on equity of 10.2%. This return is certainly within the range that Staff would have recommended had the issue gone to hearing. A 10.2% return was approved in Avista's recent Washington settlement and is reasonable given the improved financial performance of the Company and improved credit rating upgrades by S&P and Moody's. It also recognizes the ongoing capital requirements of the Company and the need for investment grade ratings ("BBB-"or higher by Standard & Poor's or "Baa-" or higher by Moody's).

Net Power Supply Cost

Q. Please explain how net power supply costs were established at stipulated levels.

A. Staff reviewed all of the inputs and assumptions used by the Company in the AURORA model to determine net normalized power supply costs. Because the results obtained using AURORA are particularly sensitive to assumptions about natural gas prices, and because gas prices have been extremely volatile since the time the Company performed its analysis and filed its case, Staff carefully examined the effect of different gas prices by performing numerous simulations using gas price forecasts from many sources and forward prices for 2009. In addition, because pro forma power supply costs were based on forecasted 2009 loads, Staff performed numerous simulations to examine the effect of different load assumptions. Staff concluded that the inputs and assumptions used by Avista, including those related to fuel prices and loads, were reasonable.

Q. Could gas prices and net power supply costs have been higher than those agreed to in the Proposed Settlement if argued at hearing?

A. Possibly. While natural gas prices have moderated recently, they are still higher than those used by the Company in calculating net power supply costs. Incorporating higher gas costs in the power supply analysis at a later date could have increased net power supply costs recovered in base rates.

Q. Why has Staff agreed to the use of 2009 loads in the calculation of base power supply costs?

A. Staff has agreed to the use of 2009 loads in recognition that normalized power supply costs included in base rates are always based on an estimate or a forecast. Use of 2009 forecasted load in the calculation does not make the cost any less known and measurable.

In addition, the Company has also included in its calculation, a hydro mitigation adjustment that reduces base rate power supply costs and a production property adjustment that reduces base rate revenue requirement for generation to serve 2009 loads. The effect of these adjustments is to shift costs from base rate recovery to PCA recovery with reduced impact on customers due to PCA cost sharing. The Company benefits from using 2009 loads by reducing its exposure to the retail revenue adjustment embedded in the PCA.

Q. Did Staff identify any adjustments to the Company's proposed power supply costs?

A. Yes. In addition to a thorough review of the Company's AURORA analysis, Staff reviewed each of the adjustments made to reflect contract changes between the 2007 test period and the 2009 pro forma period. Staff determined that several adjustments to purchase contracts beyond 2008 were not known and measurable. Those adjustments were discussed during settlement negotiations, and incorporated in an annual $735,000 reduction in the

Priest Rapids contract price recoverable in rates.

Cost of Service

Q. What did Staff review with respect to cost of service (COS) and what have the parties agreed to in the Proposed Settlement with respect to class specific revenue requirement?

A. Staff has reviewed both cost of service models for electric and gas service and found that the methodology did not change from the Company's last general rate case filing in 2004. However, Staff noted and Avista acknowledged that electric load data used in the COS was generated in the 1980s and statistically updated in 1993. Therefore, given the age of the load data, Staff believes the cost of service results in this case should be used only as a general guideline for assigning revenue responsibility.

While the Company has agreed to engage in new load studies, the information necessary to update the cost of service analysis will not be available until 2009. Consequently, the parties agreed to use the current results to move all classes halfway to cost of service as specified by the study.

Q. Will the increase be uniformly spread among all classes?

A. Yes, with one exception each customer class will receive a uniform increase of 12.33%. Schedule 25P, service to Potlatch's Lewiston plant, will receive an increase of 10.36%. The 10.36% increase moves Potlatch approximately halfway to cost of service similarly to other classes yet maintains an energy rate that is lower than the rate charged to Schedule 25 customers. The parties agreed to the revenue spread in recognition that Potlatch is much larger than customers served under industrial Schedule 25, it has a higher load factor and should pay a lower overall energy rate.

Q. What revenue spread is proposed for natural gas customers?

A. The parties propose to increase all gas rate schedules based on the natural gas cost of service study as originally proposed by the Company. The resulting revenue increase was reduced proportionally to reflect the overall 4.74% increase specified in the Proposed Settlement.

Rate Design

Q. How did the Staff evaluate electric and natural gas rate design and how is rate design addressed in the Proposed Settlement?

A. Staff evaluated existing electric and natural gas rate design by reviewing the cost of service study and comparing current rate components to those of other utilities. Neither Avista nor Staff believed major changes in rate design were warranted given the imprecise and inaccurate nature of the Company's COS study. In addition, Avista remains the only electric utility under Commission jurisdiction with true residential tiered rates, with a differential of 13% for usage over 600 kWh/month.

The parties agreed to an increase in the monthly customer charge from $4.00 to $4.60/month for electric customers and from $3.28 to $4.00/ month for gas customers. All other rate components were increased uniformly to generate the required revenue. This rate design represents the original Company proposal and recognizes the increasing monthly costs of metering and billing.

Q. Are there any plans to address rate design in the future?

A. Yes. Staff and Avista have discussed adjusting block size and rate differentials in the future once accurate cost of service data is available. Staff and Avista will also investigate whether there are economies of scale (bundling of electric/gas service) that could allow reduced monthly customer charges when a customer takes both gas and electric service. At the very least, a similar customer charge for gas and electric service will be considered.

Q. What is the effect on an average monthly customer bill as a result of the Proposed Settlement?

A. If the Commission were to adopt the Proposed Settlement, the monthly bill of a residential customer using 977 kilowatt-hours per month (the average for Avista customers) would increase by $7.89. An average gas customer who uses 65 therms per month would see an increase of about $4.03 per month. Proposed increases by customer class and a comparison of present and proposed rate components are attached in Exhibit 101 as Appendix 2 to the Stipulation.

Energy Affordability

Q. What does the Proposed Settlement provide with respect to low income issues?

A. In recognition that the proposed increase in both electric and natural gas rates will unduly impact the lowest income Avista customers, the parties have agreed to two specific low income provisions. The first is an increase in the annual low income weatherization funding from $350,000 to $465,000. The second provision calls for funding of $25,000 for state Community Action agencies to provide educational assistance on energy issues in conjunction with its other low income programs. The increased funding required for these programs will come from the existing DSM tariff rider and will not require a rate increase.

Q. Are there any other low income provisions included in the Proposed Settlement?

A. Yes. Under the Stipulated Settlement, Avista has agreed to support and actively participate in any Commission-established workshops for the purpose of examining issues surrounding energy affordability and customers' ability to pay energy bills. Staff supports the idea of workshops involving all energy utilities serving Idaho and is prepared to immediately proceed upon Commission approval.

All parties to the Proposed Settlement recognize that electric and gas rates will increase as a result of this case, with the prospect of additional rate increases on the horizon due to the Company's PCA and PGA cases. Staff foresees an unrelenting and significant upward pressure on rates, which unfortunately is occurring during an economic downturn in the state as a whole and northern Idaho in particular. The decline of the mining and timber industries continues to have a negative impact on small communities that have limited employment opportunities beyond mines, mills, and logging operations.

Energy affordability has become a central issue for many Idaho households, and utilities are facing the prospect of more customers being unable to pay their energy bills in full and/or on time. Through workshops, the Commission can help identify issues and explore possible solutions to anticipated problems. Staff supports this undertaking and suggests that universal service, Low Income Rate Assistance Plans (LIRAP) and alternative rate designs all be included as discussion topics in the workshops.

Q. Does this conclude your testimony in this proceeding?

A. Yes, it does.

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BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF AVISTA CORPORATION FOR THE AUTHORITY TO INCREASE ITS RATES AND CHARGES FOR ELECTRIC AND NATURAL GAS SERVICE TO ELECTRIC AND NATURAL GAS CUSTOMERS IN THE STATE OF IDAHO	)	CASE NOS. AVU-E-08-01 AVU-G-08-01 STIPULATION

This Stipulation is entered into by and among Avista Corporation, doing business as Avista Utilities ("Avista" or "Company"), the Staff of the Idaho Public Utilities Commission ("Staff"), Potlatch Corporation ("Potlatch"), and the Community Action Partnership Association of Idaho ("CAPAI"). These entities are collectively referred to as the "Parties," and represent all parties in the above-referenced cases. The Parties understand this Stipulation is subject to approval by the Idaho Public Utilities Commission ("IPUC" or the "Commission").

I. INTRODUCTION

1. The terms and conditions of this Stipulation are set forth herein. The Parties agree that this Stipulation represents a fair, just and reasonable compromise of the issues raised in the proceeding and that this Stipulation and its acceptance by the Commission represent a reasonable resolution of multiple issues identified in this matter. The Parties,

Exhibit No. 101
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R. Lobb, Staff
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therefore, recommend that the Commission, in accordance with RP 274, approve the Stipulation and all of its terms and conditions without material change or condition.

II. BACKGROUND

2. On April 3, 2008, Avista filed an Application with the Commission for authority to increase revenue from electric and natural gas service in Idaho by 16.7% and 5.8%, respectively. If approved, the Company's revenues for electric base retail rates would have increased by $32.3 million annually; Company revenues for natural gas service would have increased by $4.7 million annually. The Company requested an effective date of May 5, 2008 for its proposed electric/gas rate increase. By Order No. 30528, dated April 16, 2008, the Commission suspended the proposed schedules of rates and charges for electric and natural gas service for a period of thirty (30) days plus five (5) months, from May 5, 2008, or until such time as the Commission entered an Order accepting, rejecting or modifying the Application in this matter.

3. Petitions to intervene in this proceeding were filed by Potlatch and CAPAI. By various orders, the Commission granted these interventions. See, IPUC Order Nos. 30550 and 30551.

4. Public workshops for Avista customers were held on July 23, 2008 in Moscow, Idaho, and on July 24, 2008 in Coeur d'Alene, Idaho, for the purpose of explaining the Company's Application, and in order to provide an opportunity for customers to ask questions of Staff.

5. 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 in the Commission offices on July 31, 2008, and was attended by representatives of all Parties.

6. Based upon the settlement discussions among the Parties, as a compromise of positions in this case, and for other consideration as set forth below, the Parties agree to the following terms:

III. TERMS OF THE STIPULATION

7. Revenue Requirement. The Parties agree that Avista shall be allowed to implement revised tariff schedules designed to recover \$23,163,000 in additional annual electric revenue and \$3,878,000 in additional annual natural gas revenue, which represent an 11.98% and 4.7% increase in electric and natural gas annual base tariff revenues, respectively. In determining these revenue increases, the Parties have agreed to various adjustments to the Company's filing, which are summarized in the Tables below and are reflected in Appendix I and will be further explained in prefiled testimony to be filed by the Parties in support of the Stipulation. In addition, certain elements of the revenue increases are further discussed immediately below:

(a.) Cost of Capital. The Parties agree that Avista's cost of capital shall be determined using a capital structure consisting of 47.94% common stock equity, and 52.06% long-term debt. Avista's authorized return on equity shall be 10.20%; the cost of debt shall be 6.84%. These components produce an authorized rate of return of 8.45%.

(b.) Other Adjustments. The Summary Table of Adjustments, as set forth immediately below, describes the remaining revisions to the Company's originally-filed electric and natural gas revenue requirements:

SUMMARY TABLE OF ADJUSTMENTS TO ELECTRIC REVENUE REQUIREMENT

000s of Dollars

		Revenue Requirement	Rate Base
Amount As Filed		**$ 32,328**	**$ 548,266**

Adjustments:

Return on Equity	Adjust return on equity to 10.20%	(2,485)	0
Power Supply	-Priest Rapids/Wanapum Contracts $(614) (use average of '08 & '09 figures) -Elimination of PPM Wind Integration costs $(109) -Reflect Kootenai Transmission contract $(12)	(735)	0
Labor-Non-Exec	Remove 50% of 2009 non-executive labor expense	(296)	0
Labor-Executive	Remove 2009 executive labor expense	(39)	0
Transmission Rev/Exp	Remove 2009 revenues and expenses	81	0
Capital Additions 2008	Includes capital investment and depreciation through December 2008	152	1,327
Asset Management	Remove 50% of 2009 expenses	(489)	0
Spokane River Relicensing	Remove adjustment (establish deferral)	(2,831)	(12,039)
Confidential Litigation *	Remove adjustment (establish deferral)	(1,514)	(8,264)
Colstrip Mercury Emission O&M	Remove adjustment	(533)	0
Executive Incentives	Remove executives' incentives	(103)	0
CS2 Levelized Adjustment	Remove 2009 deferred return	(114)	0
Carbon Financial Instruments (CFIs)	Add net revenues from sale of CFIs	(427)	0
Miscellaneous A&G Expenses	Remove various A&G expenses, including dues, sponsorships, A&G study, 50% of Directors & Officers' insurance, and 50% of Board of Director expenses	(502)	0
Production Property	Flow through impact of Production & Transmission adjustments	320	997
Restate Debt Interest	Flow through impact of Rate Base adjustments	350	0
Total Adjustments		**$ (9,165)**	**$ (17,979)**

Adjusted Amounts		**$ 23,163**	**$ 530,287**

* Please see Andrews' Direct unredacted testimony at Pages 32-33.

SUMMARY TABLE OF ADJUSTMENTS TO NATURAL GAS REVENUE REQUIREMENT

000s of Dollars

		Revenue Requirement	Rate Base
Amount As Filed		**$ 4,725**	**$ 85,690**
Adjustments:			
Return on Equity	Adjust return on equity to 10.20%	(389)	0
Labor-Non-Exec	Remove 50% of 2009 non-executive labor expense	(73)	0
Labor-Executive	Remove 2009 executive labor expense	(9)	0
Capital Additions 2008	Includes capital investment and depreciation through December 2008	(103)	(531)
Incentives	Remove executives' incentives	(23)	0
Miscellaneous A&G Expenses	Remove various A&G expenses, including dues, sponsorships, A&G study, 50% of Directors & Officers' insurance, and 50% of Board of Director expenses	(260)	0
Restate Debt Interest	Flow through impact of Rate Base adjustments	10	0
Total Adjustments		**$ (847)**	**$ (531)**
Adjusted Amounts		**$ 3,878**	**$ 85,159**

8. Rate Effective Date. The Parties request that the Commission issue its order approving the retail rates contained in this Stipulation to become effective October 1, 2008.

9. Accounting Treatment for Certain Costs.

(a.) Spokane River Relicensing – The Company included the processing costs associated with its Spokane River relicensing efforts, which expenditures included actual life-to-date costs from April 2001 through December 31, 2007, and 2008 pro forma expenditures through December 31, 2008. (See Andrews' Direct Testimony at page 32) Although the Company anticipates receiving a final license from the Federal Energy Regulatory Commission ("FERC") in the near future, that has yet to occur. The relicensing costs will remain in CWIP (Construction Work in Progress) and the Company will continue to accrue AFUDC until issuance of the license, at which time the relicensing costs will be transferred to plant in service and depreciation will begin to be recorded. The Parties have agreed to defer as a regulatory expense item (in Account 186 – Miscellaneous Deferred Debits) on the Company's balance sheet depreciation associated with Idaho's share of the aforementioned relicensing costs and related protection, mitigation, or enhancement expenditures, until the earlier of twelve (12) months from the date of the issuance of the license or the conclusion of Avista's next general rate case ("GRC"), together with a carrying charge on the deferral, as well as a carrying charge on the amount of relicensing costs not yet included in rate base. The carrying charge for deferrals and rate base not yet included in establishing rates would be the customer deposit rate at that time (presently 5%).

(b.) Confidential Litigation – Company Witness Andrews describes confidential litigation at pages 32 and 33 of her prefiled direct testimony (unredacted). Inasmuch as that matter is still pending and has yet to be finally resolved, but is expected to reach resolution in the near future, the Parties have agreed to defer as a regulatory expense item (in Account 186 – Miscellaneous Deferred Debits) on the Company's balance sheet depreciation associated with Idaho share of the aforementioned costs with a carrying charge on the deferral as well as a carrying charge on the amount of costs not yet included in rate base for subsequent recovery in rates. The carrying charge will be the customer deposit rate (presently 5%). This deferral, together with a carrying charge, will continue until the earlier of twelve (12) months from the date of resolution of the litigation or until the conclusion of Avista's next general rate case (GRC).

(c.) <u>Montana Riverbed Litigation</u> – On November 1, 2007, Avista filed an Application with the Commission (Case No. AVU-E-07-10) requesting an accounting order authorizing deferral of settlement lease payments and interest accruals relating to the recent settlement of a lawsuit in the State of Montana over the use of the riverbed related to the Company's ownership of the Noxon Rapids and Cabinet Gorge hydroelectric projects located on the Clark Fork River. The Commission, in its Order No. 30492, authorized the deferral of settlement lease payments and delayed a decision on interest, until the matter was addressed in this general rate filing. The Parties have agreed to the Company's requested amortization of costs, together with recovery of accrued interest on the Idaho share of deferrals at the customer deposit rate (presently 5%).

(d.) <u>Revenues Associated with Sale of Carbon Financial Instruments (CFIs)</u> – On May 22, 2008 Avista filed a request with the Commission (Case No. AVU-E-08-2) to defer the revenues associated with the sale of Carbon Financial Instruments (CFIs) on the Chicago Climate Exchange. The Company's Application was approved on August 5, 2008 in Order No. 30610. Idaho's share of the revenues, net of expenses, from the CFI sales is $850,571. These dollars will be amortized over a two-year period beginning in the calendar month of the effective date of new retail rates resulting from this Stipulation, with a carrying charge on the unamortized balance at the customer deposit rate. The revenue requirement included in this Stipulation has been reduced for the CFI revenues, in order to flow these benefits through to customers.

10. <u>PCA Authorized Level of Expense</u>. Appendix 3 sets forth the agreed-upon level of power supply expense, retail load and revenue credit resulting from this

Stipulation, that will be used in the monthly Power Cost Adjustment ("PCA") mechanism calculations.

11. Prudency of Energy Efficiency Expenditures. The Parties agree that Avista's expenditures for electric and natural gas energy efficiency programs from November 1, 2003 through December 31, 2007 have been prudently incurred.

12. Rate Spread. Appendix 2 shows the impact on each service schedule of the agreed-upon electric and natural gas increases. The proposed electric revenue increase of $23,163,000 represents an overall increase of 11.98% in base rates, and with one exception, is spread on a uniform percentage basis to all schedules. Schedule 25P (for Potlatch's Lewiston plant), however, will receive an increase of 10.36%, in order to reflect a Schedule 25P rate that is no higher than the tailblock rate of Schedule 25. With this change, the relative rate of return for Schedule 25P would move approximately one-half way toward unity, more consistent with the movement of other service schedules. All other schedules will receive a 12.33% increase.

The spread of the increased natural gas revenue requirement of $3,878,000 is set forth in Appendix 2, and represents an overall increase of 4.7% in base rates. It reflects a reduction to what the Company had proposed by way of an increase for each of the gas service schedules proportional to the reduction in the overall increase.

13. Rate Design. The Parties agree to changes in the electric customer and demand charges as set forth in the Company's filing, and summarized in Appendix 2. This includes an increase in the residential monthly basic charge from $4.00 to $4.60. The energy rates within each electric service schedule are increased by a uniform percentage.

With respect to natural gas rate design, the Parties agree to apply the increase in rates within each service schedule in the same manner as proposed by the Company. The monthly basic charge for the residential schedule will increase from \$3.28 to \$4.00, as proposed by the Company.

14. Customer-Related Issues.

(a.) Low-Income DSM Funding – At present, \$350,000 per year is provided to Idaho service (CAP) agencies for proposed funding of low-income Demand-Side Management (DSM). The Parties agree to increase the annual level of funding to \$465,000 for such programs (which includes administrative overhead). The continuation and level of such funding will be revisited in the Company's next general rate filing.

(b.) Funding for Outreach for Low-Income Conservation –The Parties agree that annual funding in the amount of \$25,000 will be provided to Idaho (CAP) agencies for the purpose of underwriting the dedication of agency personnel to assist in low-income outreach and education concerning conservation. The dollars will be funded through the DSM Tariff Rider (Schedules 91 and 191), and will be in addition to the \$465,000 of Low-Income DSM Funding. The continuation and level of such funding will be revisited in the Company's next general rate filing.

(c.) Establishment of Generic Workshops – Avista agrees to support and actively participate in any Commission-established workshops for the purpose of examining issues surrounding energy affordability and customers' ability to pay energy bills with respect to all jurisdictional utilities. As part of this process, Avista agrees to explore the feasibility of establishing a Low-Income Rate Assistance Program (LIRAP), or similar program, to assist low-income residential customers in Idaho.

15. The Parties agree that this Stipulation represents a compromise of the positions of the Parties in this case. As provided in RP 272, other than any testimony filed in support of the approval of this Stipulation, and except to the extent necessary for a Party to explain before the Commission its own statements and positions with respect to the Stipulation, all statements made and positions taken in negotiations relating to this Stipulation shall be confidential and will not be admissible in evidence in this or any other proceeding.

16. The Parties submit this Stipulation to the Commission and recommend approval in its entirety pursuant to RP 274. Parties shall support this Stipulation before the Commission, and no Party shall appeal a Commission Order approving the Stipulation or an issue resolved by the Stipulation. If this Stipulation is challenged by any person not a party to the Stipulation, the Parties to this Stipulation reserve the right to file testimony, cross-examine witnesses and put on such case as they deem appropriate to respond fully to the issues presented, including the right to raise issues that are incorporated in the settlement terms embodied in this Stipulation. Notwithstanding this reservation of rights, the Parties to this Stipulation agree that they will continue to support the Commission's adoption of the terms of this Stipulation.

17. If the Commission rejects any part or all of this Stipulation or imposes any additional material conditions on approval of this Stipulation, each Party reserves the right, upon written notice to the Commission and the other Parties to this proceeding, within 14 days of the date of such action by the Commission, to withdraw from this Stipulation. In such case, no Party shall be bound or prejudiced by the terms of this Stipulation, and each Party shall be entitled to seek reconsideration of the Commission's order, file testimony as it chooses, cross-examine witnesses, and do all other things necessary to put on such case as it deems appropriate. In such case, the Parties immediately will request the prompt reconvening of a prehearing conference for purposes of establishing a procedural schedule for the completion of the case. The Parties agree to cooperate in development of a schedule that concludes the proceeding on the earliest possible date, taking into account the needs of the Parties in participating in hearings and preparing testimony and briefs.

18. The Parties agree that this Stipulation is in the public interest and that all of its terms and conditions are fair, just and reasonable.

19. No Party shall be bound, benefited or prejudiced by any position asserted in the negotiation of this Stipulation, except to the extent expressly stated herein, nor shall this Stipulation be construed as a waiver of the rights of any Party unless such rights are expressly waived herein. Execution of this Stipulation shall not be deemed to constitute an acknowledgment by any Party of the validity or invalidity of any particular method, theory or principle of regulation or cost recovery. No Party shall be deemed to have agreed that any method, theory or principle of regulation or cost recovery employed in arriving at this Stipulation is appropriate for resolving any issues in any other

proceeding in the future. No findings of fact or conclusions of law other than those stated herein shall be deemed to be implicit in this Stipulation.

20. The obligations of the Parties under this Stipulation are subject to the Commission's approval of this Stipulation in accordance with its terms and conditions and upon such approval being upheld on appeal, if any, by a court of competent jurisdiction.

21. This Stipulation may be executed in counterparts and each signed counterpart shall constitute an original document.

DATED this 7th day of August, 2008.

Avista Corporation

By ______________________
David J. Meyer
Attorney for Avista Corporation

Idaho Public Utilities Commission Staff

By ______________________
Scott Woodbury
Attorney for IPUC Staff

Potlatch Corporation

By ______________________
Conley E. Ward

Community Action Partnership Association

By ______________________
Brad M. Purdy

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are expressly waived herein. Execution of this Stipulation shall not be deemed to constitute an acknowledgment by any Party of the validity or invalidity of any particular method, theory or principle of regulation or cost recovery. No Party shall be deemed to have agreed that any method, theory or principle of regulation or cost recovery employed in arriving at this Stipulation is appropriate for resolving any issues in any other proceeding in the future. No findings of fact or conclusions of law other than those stated herein shall be deemed to be implicit in this Stipulation.

20. The obligations of the Parties under this Stipulation are subject to the Commission's approval of this Stipulation in accordance with its terms and conditions and upon such approval being upheld on appeal, if any, by a court of competent jurisdiction.

21. This Stipulation may be executed in counterparts and each signed counterpart shall constitute an original document.

DATED this 7th day of August, 2008.

Avista Corporation	Idaho Public Utilities Commission Staff
By____________________	By____________________
David J. Meyer Attorney for Avista Corporation	Scott Woodbury Attorney for IPUC Staff
Potlatch Corporation	Community Action Partnership Association
By____________________	By____________________

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APPENDIX 1

APPENDIX 1
AVISTA UTILITIES
Summary of Revenue Requirement Adjustments
Restatement Summary Idaho Electric
(000s of Dollars)

		FILED CASE Idaho Electric		FINAL SETTLEMENT Idaho Electric		DIFFERENCE Idaho Electric		IMPACT ON REVENUE REQUIREMENT	
Item	Description	NOI	Rate Base	NOI	Rate Base	NOI	Rate Base	NOI 0.639562	Rate Base 8.45%
b	Per Results Report	$41,716	$579,176	$41,716	$579,176	$0	$0		
c	Deferred FIT Rate Base	0	(80,527)	0	(80,527)	$0	$0		
d	Deferred Gain on Office Building	0	(196)	0	(196)	$0	$0		
e	Colstrip 3 AFUDC Elimination	(225)	2,342	(225)	2,342	$0	$0		
f	Colstrip Common AFUDC	0	976	0	976	$0	$0		
g	Kettle Falls & Boulder Park Disallow.	0	(2,349)	0	(2,349)	$0	$0		
h	Customer Advances	0	(765)	0	(765)	$0	$0		
i	Weatherizn and DSM Investment	0	2,630	0	2,630	$0	$0		
	Actual	41,491	501,287	41,491	501,287	0	0	0	0
j	Depreciation True-up	492	0	492	0	$0	$0		
k	Eliminate B & O Taxes	(5)	0	(5)	0	$0	$0		
l	Property Tax	164	0	164	0	$0	$0		
m	Uncollect. Expense	77	0	77	0	$0	$0		
n	Regulatory Expense	(20)	0	(20)	0	$0	$0		
o	Injuries and Damages	(22)	0	(22)	0	$0	$0		
p	FIT	91	0	91	0	$0	$0		
q	Idaho PCA	(10,888)	0	(10,888)	0	$0	$0		
r	Nez Perce Settlement Adjustment	8	0	8	0	$0	$0		
s	Eliminate A/R Expenses	337	0	337	0	$0	$0		
t	Clark Fork PM&E	(336)	0	(336)	0	$0	$0		
u	Revenue Normalization Adjustment	(632)	0	(632)	0	$0	$0		
v	Restate Debt Interest	(683)	0	(907)	0	($224)	$0	$350	
	Restated Total	$30,074	$501,287	$29,850	$501,287	($224)	$0	$350	$0
PF1	Pro Forma Power Supply	(222)	0	248	0	$470	$0	($735)	
PF2	Pro Forma Production Property Adj	3,845	(15,426)	3,725	(14,429)	($121)	$997	$188	$132
PF3	Pro Forma Labor Non-Exec	(777)	0	(588)	0	$189	$0	($296)	
PF4	Pro Forma Labor Exec	(85)	0	(60)	0	$25	$0	($39)	
PF5	Pro Forma Transmission Rev/Exp	(265)	0	(317)	0	($52)	$0	$81	
PF6	Pro Forma Capital Add 2007	(120)	17,776	(120)	17,776	$0	$0	$0	
PF7	Pro Forma Capital Add 2008	(1,016)	716	(1,001)	2,043	$15	$1,327	($23)	$175
PF8	Pro Forma Asset Management	(625)	0	(312)	0	$313	$0	($489)	
PF9	Pro Forma Spokane Rvr Relicensing	(793)	12,039	0	0	$793	($12,039)	($1,240)	($1,591)
PF10	Pro Forma Confidential Litigation	(270)	8,264	0	0	$270	($8,264)	($422)	($1,092)
PF11	Pro Forma Montana Lease	(1,197)	1,758	(1,197)	1,758	$0	$0	$0	
PF12	Pro Forma Colstrip Mercury Emiss. O&	(341)	0	0	0	$341	$0	($533)	
PF13	Pro Forma Incentives	(137)	0	(71)	0	$66	$0	($103)	
PF14	Pro Forma ID AMR	(689)	21,852	(689)	21,852	$0	$0	$0	
PF15	Pro Forma CS2 Levelized Adj	(140)	0	(67)	0	$73	$0	($114)	
PF16	Pro Forma Misc A&G	0	0	321	0	$321	$0	($502)	
PF17	Pro Forma CCX (CFI)	0	0	273	0	$273	$0	($427)	
	Pro Forma Total	$27,242	$548,266	$29,995	$530,287	$2,753	($17,979)	($4,304)	($2,376)
									($6,680)
								Impact of ROE reduced to 10.2%	($2,485)
								Total Revenue Requirement Difference	($9,165)

*Please see Andrews' Direct unredacted testimony at Pages 32-33.

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APPENDIX 1
AVISTA UTILITIES
Summary of Revenue Requirement Adjustments
Restatement Summary Idaho Gas
(000s of Dollars)

		FILED CASE Idaho Gas		FINAL SETTLEMENT Idaho Gas		DIFFERENCE Idaho Gas		IMPACT ON REVENUE REQUIREMENT	
Item	Description	NOI	Rate Base	NOI	Rate Base	NOI	Rate Base	NOI 0.6395623	Rate Base 8.45%
b	Per Results Report	$5,410	$83,866	$5,410	$83,866	$0	$0		
c	Deferred FIT Rate Base	0	(13,209)	0	(13,209)	$0	$0		
d	Deferred Gain on Office Building	0	(63)	0	(63)	$0	$0		
e	Gas Inventory	0	2,171	0	2,171	$0	$0		
f	Weatherization and DSM Investment	0	355	0	355	$0	$0		
g	Customer Advances	0	(74)	0	(74)	$0	$0		
	Actual	5,410	73,046	5,410	73,046	0	0		
h	Depreciation True-up	97	0	97	0	$0	$0		
i	Weather Normalization & Gas Cost Adjust	(42)	0	(42)	0	$0	$0		
j	Eliminate B & O Taxes	(1)	0	(1)	0	$0	$0		
k	Property Tax	12	0	12	0	$0	$0		
l	Uncollectible Expense	94	0	94	0	$0	$0		
m	Regulatory Expense Adjustment	1	0	1	0	$0	$0		
n	Injuries and Damages	(53)	0	(53)	0	$0	$0		
o	FIT	9	0	9	0	$0	$0		
p	Eliminate A/R Expenses	48	0	48	0	$0	$0		
q	Restate Debt Interest	(26)	0	(32)	0	($6)	$0	$10	
	Restated Total	$5,549	$73,046	$5,543	$73,046	($6)	$0	$10	$0
PF1	Pro Forma Labor Non-Exec	(191)	0	(144)	0	$47	$0	($73)	
PF2	Pro Forma Labor Exec	(21)	0	(15)	0	$6	$0	($9)	
PF3	Pro Forma JP Storage	(521)	7,238	(521)	7,238	$0	$0	$0	
PF4	Pro Forma Capital Add 2007	94	(2,102)	94	(2,102)	$0	$0	$0	
PF5	Pro Forma Capital Add 2008	(183)	1,232	(162)	701	$21	($531)	($33)	($70)
PF6	Pro Forma Incentives	(32)	0	(17)	0	$15	$0	($23)	
PF7	Pro Forma AMR	(228)	6,276	(228)	6,276	$0	$0	$0	
PF8	Pro Forma Misc. A&G	0	0	166	0	$166	$0	($260)	
	Pro Forma Total	$4,467	$85,690	$4,716	$85,159	$249	($531)	($388)	($70)
									($458)
						Impact of ROE reduced to 10.2%			*($389)*
						Total Revenue Requirement Difference			*($847)*

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APPENDIX 2

AVISTA UTILITIES
IDAHO ELECTRIC
PROPOSED INCREASE BY SERVICE SCHEDULE
12 MONTHS ENDED DECEMBER 31, 2007
(000s of Dollars)

Line No.	Type of Service	Schedule Number	Base Tariff Revenue Under Present Rates(1)	General Increase	Base Tariff Revenue Under Proposed Rates	Base Tariff Percent Increase	Total Billed Revenue at Present Rates(2)	Percent Increase on Billed Revenue
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
1	Residential	1	$75,282	$9,284	$84,566	12.33%	$72,941	12.73%
2	General Service	11,12	$24,573	$3,029	$27,601	12.33%	$25,640	11.81%
3	Large General Service	21,22	$40,086	$4,943	$45,029	12.33%	$42,333	11.68%
4	Extra Large General Service	25	$13,077	$1,613	$14,690	12.33%	$14,084	11.45%
5	Potlatch	25P	$34,045	$3,529	$37,574	10.36%	$36,857	9.57%
6	Pumping Service	31,32	$3,690	$455	$4,145	12.33%	$3,855	11.80%
7	Street & Area Lights	41-49	$2,518	$311	$2,828	12.33%	$2,579	12.04%
8	Total		$193,270	$23,163	$216,433	11.98%	$198,288	11.68%

(1) Excludes all present rate adjustments (see below).

(2) Includes all present rate adjustments: Schedule 66-Temporary PCA Adj., Schedule 91-Energy Efficiency Rider Adj., and Schedule 59-Residential & Farm Energy Rate Adj.

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AVISTA UTILITIES
IDAHO ELECTRIC
PRESENT AND PROPOSED RATE COMPONENTS BY SCHEDULE

(a)	Base Tariff Sch. Rate (b)	Present ERM & Other Adj.(1) (c)	Present Billing Rate (d)	General Rate Increase (e)	Proposed Billing Rate (f)	Proposed Base Tariff Rate (g)
Residential Service - Schedule 1						
Basic Charge	$4.00		$4.00	$0.60	$4.60	$4.60
Energy Charge:						
First 600 kWhs	$0.05842	($0.00206)	$0.05636	$0.00710	$0.06346	$0.06552
All over 600 kWhs	$0.06612	($0.00206)	$0.06406	$0.00804	$0.07210	$0.07416
General Services - Schedule 11						
Basic Charge	$6.00		$6.00	$0.50	$6.50	$6.50
Energy Charge:						
First 3,650 kWhs	$0.07295	$0.00362	$0.07657	$0.00913	$0.08570	$0.08208
All over 3,650 kWhs	$0.06223	$0.00362	$0.06585	$0.00778	$0.07363	$0.07001
Demand Charge:						
20 kW or less	no charge		no charge	no charge		no charge
Over 20 kW	$3.50/kW		$3.50/kW	$0.50/kW	$4.00/kW	$4.00/kW
Large General Service - Schedule 21						
Energy Charge:						
First 250,000 kWhs	$0.04800	$0.00340	$0.05140	$0.00584	$0.05724	$0.05384
All over 250,000 kWhs	$0.04097	$0.00340	$0.04437	$0.00497	$0.04934	$0.04594
Demand Charge:						
50 kW or less	$250.00		$250.00	$25.00	$275.00	$275.00
Over 50 kW	$3.00/kW		$3.00/kW	$0.50/kW	$3.50/kW	$3.50/kW
Primary Voltage Discount	$0.20/kW		$0.20/kW		$0.20/kW	$0.20/kW
Extra Large General Service - Schedule 25						
Energy Charge:						
First 500,000 kWhs	$0.03942	$0.00319	$0.04261	$0.00469	$0.04730	$0.04411
All over 500,000 kWhs	$0.03339	$0.00319	$0.03658	$0.00397	$0.04055	$0.03736
Demand Charge:						
3,000 kva or less	$9,000		$9,000	$1,000	$10,000	$10,000
Over 3,000 kva	$2.75/kva		$2.75/kva	$0.50/kva	$3.25/kva	$3.25/kva
Primary Volt. Discount	$0.20/kW		$0.20/kW		$0.20/kW	$0.20/kW
Annual Minimum	Present:	$511,470			$571,460	
Potlatch - Schedule 25P						
Energy Charge:						
all kWhs	$0.03404	$0.00313	$0.03717	$0.00318	$0.04035	$0.03722
Demand Charge:						
3,000 kva or less	$9,000		$9,000	$1,000	$10,000	$10,000
Over 3,000 kva	$2.75/kva		$2.75/kva	$0.50/kva	$3.25/kva	$3.25/kva
Primary Volt. Discount	$0.20/kW		$0.20/kW		$0.20/kW	$0.20/kW
Annual Minimum	Present:	$482,440			$529,420	
Pumping Service - Schedule 31						
Basic Charge	$6.00		$6.00	$0.50	$6.50	$6.50
Energy Charge:						
First 165 kW/kWh	$0.06555	$0.00343	$0.06898	$0.00815	$0.07713	$0.07370
All additional kWhs	$0.05589	$0.00343	$0.05932	$0.00695	$0.06627	$0.06284

(1) Includes all present rate adjustments: Schedule 66-Temporary PCA Adj., Schedule 91-Energy Efficiency Rider Adj., and Schedule 59-Residential & Farm Energy Rate Adj. (Sch. 1 only).

AVISTA UTILITIES
IDAHO GAS
PROPOSED INCREASE BY SERVICE SCHEDULE
12 MONTHS ENDED DECEMBER 31, 2007
(000s of Dollars)

Line No.	Type of Service (a)	Schedule Number (b)	Base Tariff Revenue Under Present Rates(1) (c)	Proposed General Increase (d)	Base Tariff Revenue Under Proposed Rates (e)	Base Tariff Percent Increase (f)
1	General Service	101	$63,207	$3,375	$66,582	5.3%
2	Large General Service	111	$17,869	$486	$18,355	2.7%
3	Interruptible Service	131	$367	$15	$382	4.0%
4	Transportation Service	146	$417	$3	$420	0.8%
5	Special Contracts	148	$211	$0	$211	0.0%
6	Total		$82,071	$3,878	$85,950	4.7%

(1) Includes Purchase Adjustment Schedule 156 / Excludes other rate adjustments.

AVISTA UTILITIES
IDAHO GAS
PRESENT AND PROPOSED RATE COMPONENTS BY SCHEDULE

(a)	Base Rate(1) (b)	Present Rate Adj.(2) (c)	Present Billing Rate (d)	General Rate Increase (e)	Sch. 191 Change (f)	Proposed Billing Rate(2) (g)	Proposed Base Rate(1) (h)	
General Service - Schedule 101								
Basic Charge	$3.28		$3.28	$0.72		$4.00	$4.00	22.0%
Usage Charge:								
All therms	$1.10888	($0.00328)	$1.10560	$0.05087		$1.15647	$1.15975	4.6%
Large General Service - Schedule 111								
Usage Charge:								
First 200 therms	$1.09137	($0.00564)	$1.08573	$0.05445	($0.00010)	$1.14008	$1.14582	5.0%
200 - 1,000 therms	$1.07319	($0.00564)	$1.06755	$0.01087	($0.00010)	$1.07832	$1.08406	1.0%
1,000 - 10,000 therms	$0.97077	($0.00564)	$0.96513	$0.04023	($0.00010)	$1.00526	$1.01100	4.1%
All over 10,000 therms	$0.97077	($0.00564)	$0.96513	$0.00023	($0.00010)	$0.96526	$0.97100	0.0%
Minimum Charge:								
per month	$156.63		$156.63	$10.89		$167.52	$167.52	7.0%
per therm	$0.30822	($0.00564)	$0.30258		($0.00010)	$0.30248	$0.30822	0.0%
High Annual Load Factor Large General Service - Schedule 121 -- MOVE TO SCH 111								
Usage Charge:								
First 200 therms	$1.08048	($0.00652)	$1.07396	$0.06534	$0.00078	$1.14008	$1.14582	6.0%
200 - 500 therms	$1.08048	($0.00652)	$1.07396	$0.00358	$0.00078	$1.07832	$1.08406	0.3%
500 - 1,000 therms	$1.07319	($0.00652)	$1.06667	$0.01087	$0.00078	$1.07832	$1.08406	1.0%
1,000 - 10,000 therms	$0.97077	($0.00652)	$0.96425	$0.04023	$0.00078	$1.00526	$1.01100	4.1%
All over 10,000 therms	$0.95199	($0.00652)	$0.94547	$0.01901	$0.00078	$0.96526	$0.97100	2.0%
Minimum Charge:								
per month	$386.13		$386.13	($218.61)		$167.52	$167.52	-56.6%
per therm	$0.30822	($0.00652)	$0.30170		$0.00078	$0.30248	$0.30822	0.0%
Interruptible Service - Schedule 131								
Usage Charge:								
All Therms	$0.87157	($0.00868)	$0.86289	$0.03480		$0.89769	$0.90637	
Transportation Service - Schedule 146								
Basic Charge	$200.00		$200.00	$0.00		$200.00	$200.00	
Usage Charge:								
All Therms	$0.10976		$0.10976	$0.00086		$0.11062	$0.11062	

(1) Includes Schedule 150 - Purchased Gas Cost Adj.

(2) Includes Schedule 155 - Gas Rate Adj., Schedule 191 - Energy Efficiency Rider Adj.

APPENDIX 3

APPENDIX 3
AVISTA UTILITIES
Pro forma January 2009 - December 2009, Idaho Jurisdiction
PCA Authorized Expense and Retail Sales

PCA Authorized Power Supply Expense

	Total	Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09
Account 555 - Purchased Power	128,347,743	17,126,941	11,722,009	11,157,328	7,801,399	5,990,720	5,890,115	7,491,957	10,249,270	10,523,566	12,416,534	13,380,427	14,597,477
Account 501 - Thermal Fuel	31,507,125	2,910,807	2,727,459	2,932,808	2,582,443	1,255,673	1,333,012	2,889,525	3,025,063	2,909,474	3,016,833	2,936,277	2,987,751
Account 547 - Natrual Gas Fuel	79,320,453	5,172,381	5,821,993	5,439,685	4,114,144	3,082,431	3,297,063	7,590,714	10,106,773	9,082,585	8,682,756	9,271,960	7,657,967
Account 447 - Sale for Resale	79,531,456	3,261,944	4,590,314	5,648,433	9,379,926	13,648,568	11,526,382	9,646,527	4,900,262	4,281,137	3,718,684	5,005,546	3,923,733
Power Supply Expense	159,643,865	21,948,185	15,681,148	13,881,389	5,118,059	-3,319,745	-1,006,191	8,325,669	18,480,845	18,234,488	20,397,440	20,583,117	21,319,461

PCA Authorized Idaho Retail Sales and Potlatch Generation

	Total	Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09
Total Retail Sales, MWh	3,120,008	305,198	269,181	274,330	240,497	237,579	230,879	254,119	242,680	232,668	259,470	269,684	303,723
Potlatch Generation, MWh	462,755	40,053	35,982	25,909	38,217	39,430	40,149	43,017	44,432	35,902	35,755	42,576	41,333

Note: For Oct.-Dec. 2008 the Retail Revenue Credit rate is the Embedded Rate of $41.45/MWh; for 2009 the Retail Revenue Credit Rate is $53.63/MWh per Johnson Direct at Page 14.

CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 22ND DAY OF AUGUST 2008, SERVED THE FOREGOING **DIRECT TESTIMONY OF RANDY LOBB IN SUPPORT OF STIPULATION**, IN CASE NOS. AVU-E-08-01 & AVU-G-08-01, BY MAILING A COPY THEREOF, POSTAGE PREPAID, TO THE FOLLOWING:

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