

David J. Meyer, Esq.
Vice President and Chief Counsel of
Regulatory and Governmental Affairs
Avista Corporation
1411 E. Mission Avenue
P. O. Box 3727
Spokane, Washington 99220
Phone: (509) 425-4316, Fax: (509) 495-8851

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IDAHO PUBLIC
UTILITIES COMMISSION

Donald L. Howell, II
Deputy Attorney General
Idaho Public Utilities Commission Staff
PO Box 83720
Boise, ID 83720-0074
Phone: (208) 334-0312, Fax: (208) 334-3762

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION)
OF AVISTA CORPORATION FOR THE) CASE NOS. AVU-E-09-01
AUTHORITY TO INCREASE ITS RATES) AVU-G-09-01
AND CHARGES FOR ELECTRIC AND)
NATURAL GAS SERVICE TO ELECTRIC) STIPULATION AND
AND NATURAL GAS CUSTOMERS IN THE) SETTLEMENT
STATE OF IDAHO)

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”), Clearwater Paper Corporation (“Clearwater”), Idaho Forest Group, LLC (“Idaho Forest”), the Community Action Partnership Association of Idaho (“CAPAI”), the Idaho Community Action Network (“ICAN”), and the Idaho Conservation League (“Conservation League”). 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 all the issues raised in the proceeding and that this Stipulation and its acceptance by the Commission represent a reasonable resolution of the multiple issues identified in this Stipulation. The Parties, 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 January 23, 2009, Avista filed an Application with the Commission for authority to increase revenue from electric and natural gas service in Idaho by 12.8% and 3.0%, respectively. If approved, the Company’s revenues for electric base retail rates would have increased by \$31.2 million annually; Company revenues for natural gas service would have increased by \$2.7 million annually. The Company requested an effective date of February 23, 2009, for its proposed electric/gas rate increase. By Order No. 30728, dated February 11, 2009, 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 February 23, 2009, 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 Clearwater, Idaho Forest, CAPAI, ICAN, and the Conservation League. By various orders, the Commission granted these interventions. *See*, IPUC Order Nos. 30735, 30737, 30745, and 30772.

4. Public workshops for Avista customers were held on May 12, 2009, in Sandpoint, Idaho, and on May 13, 2009, in Lewiston, Idaho, for the purpose of explaining the Company's Application, and in order to provide an opportunity for customers to ask questions of Staff. Further public customer hearings are scheduled for June 16, 2009, in Moscow, Idaho and June 17, 2009, in Coeur d' Alene, Idaho. The technical hearing is scheduled to begin on June 29, 2009.

5. On May 29, 2009, Commission Staff, Clearwater, Idaho Forest and CAPAI submitted pre-filed direct testimony. Staff recommended in its prefiled testimony an electric base revenue increase of \$8.62 million or 3.91%, and a natural gas base revenue increase of \$1.89 million or 2.06%. To offset these rate increases, Staff recommended that the electric Power Cost Adjustment (PCA) and the Purchase Gas Adjustment (PGA) be reduced.

6. The 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 June 5, 2009, and was attended by representatives of all Parties, with the exception of the Conservation League.¹

7. 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 AND SETTLEMENT

8. Overview of Settlement and Revenue Requirement. The Parties engaged

¹ The Conservation League did not pre-file testimony in this matter.

in productive settlement discussions in the conference held June 5, 2009. After reviewing the positions of the Parties in attendance, the Company adopted many of Staff's adjustments. Staff also agreed to true-up some of its adjustments using actual expense data or based upon the likelihood of a FERC-issued license. Consequently, the Parties agree that Avista shall be allowed to implement revised tariff schedules designed to recover \$9,438,000 in additional annual electric revenue and \$1,939,000 in additional annual natural gas revenue, which represent a 4.29% and 2.11% increase in electric and natural gas annual base tariff revenues, respectively.²

In reaching settlement, the Parties have agreed to various adjustments to the Company's filing, which are summarized in the discussion and in the Tables below. The Parties anticipate that these adjustments will be further explained in pre-filed testimony in support of the Stipulation.

The Parties agree that Avista's cost of capital shall be determined using a capital structure consisting of 50% common stock equity, and 50% long-term debt. The Parties adopt Staff's recommended return on equity. Avista's authorized return on equity shall be 10.5%; the cost of debt shall be 6.60%. These components produce an authorized rate of return of 8.55%.

The Summary Tables, as set forth immediately below, describe the agreed upon adjustments to the Company's originally-filed electric and natural gas revenue requirements. The "letter" of each adjustment described below, corresponds to the

² The Parties have agreed to the recovery of Spokane River Relicensing Costs in this Docket if FERC issues its order approving Avista's relicensing application prior to July 22, 2009. If these costs are included in rates, the electric revenue requirement will be \$12,548,000, or a 5.70% increase in base electric revenues. See Sections 9(i).

adjustments listed in the Electric and/or Gas Summary Tables.

SUMMARY TABLE OF ADJUSTMENTS TO ELECTRIC REVENUE REQUIREMENT
000s of Dollars

		Revenue Requirement	Rate Base
Amount As Filed		\$ 31,233	\$ 577,434
Adjustments:			
a)	Return on Equity	Adjust return on equity to 10.50%	(2,257) 0
b)	Power Supply	Exclude short term contracts; 1 month average gas price using end of May 2009	(13,869) 0
c)	Production Property Adjustment	Flow through impact of Production & Transmission adjustments	968 611
d)	Regulatory fees	Fee dropped to .001662 by Commission in 2009 (includes net impact of adjustments)	(168) 0
e)	Labor-Non-Exec	Reduce 2009 to actual; excludes 2010 labor expense	(299) 0
f)	Labor-Executive	Remove 2009 & 2010 executive labor expense (salaries at current executives annualized level)	(59) 0
g)	Information Services	Excludes employees not hired during 2009; includes efficiency adjustment	(200)
h)	Asset Management	Adjust for efficiencies	(88) 0
i)	Spokane River Relicensing (1)	Exclude; include if receive license prior to July 22, 2009 (and prior to IPUC Order)	(3,737) (12,184)
j)	Colstrip Mercury Emission O&M	Reduce to latest estimate, exclude 2010 expense	(516) 0
k)	Incentives (Executives & Non-executives)	Remove executives' incentives; remove 6 yr avg. on all incentives	(374) 0
l)	Generation O&M expense	Adjust to 2009 level of expense	(835) 0
m)	Insurance Expense	Adjust to actual	(35) 0
n)	Miscellaneous A&G Expenses	Remove various A&G expenses; including dues, sponsorships, 50% of Board of Director expenses, Ross Court, legal expenses, etc.	(371) 0
o)	CDA Tribe	Staff proposes to adjust rate base to 2009 AMA	(183) (1,065)
p)	Restate Debt Interest	Flow through impact of Rate Base adjustments	228 0
Total Adjustments		(21,795)	(12,638)
Adjusted Amounts (2) (3)		\$ 9,438	\$ 564,796

(1) Once the license is received and the Spokane River Relicensing adjustment is included in rates for recovery, the net revenue requirement impact associated with this adjustment will total \$3,110,000, and the increase in net rate base will total \$11,875,000. The net impact includes the impact on the Production Property and Restate Debt adjustments, as well as a reduction to the amount rate based and related amortization for adjustments made to the revised estimated costs as of June 30, 2009. See Section 9 (i) below.

(2) If a timely Spokane River License is issued, the total revenue requirement will be \$12,548,000.

(3) Recovery of Montana Riverbed Lease Payments. The Parties agree to the recovery of costs associated with the payments made by the Company to the State of Montana to resolve the litigation over appropriate lease payments for use of the riverbed by the Company's Noxon and Cabinet Gorge Hydroelectric Projects. The unamortized balance of lease payments will be included in rate base at the Company's overall rate of return and amortized over the remaining eight (8) years of the ten (10) year lease agreement.

SUMMARY TABLE OF ADJUSTMENTS TO NATURAL GAS REVENUE REQUIREMENT
000s of Dollars

		Revenue Requirement	Rate Base
Amount As Filed		\$ 2,740	\$ 90,491
Adjustments:			
a)	Return on Equity	Adjust return on equity to 10.50%	(354) 0
d)	Regulatory fees	Fee dropped to .001662 by Commission in 2009 (includes net impact of adjustments)	(65) 0
e)	Labor-Non-Exec	Reduce 2009 to actual; excludes 2010 labor expense	(78) 0
f)	Labor-Executive	Remove 2009 & 2010 executive labor expense (salaries at current executives annualized level)	(16) 0
g)	Information Services	Excludes employees not hired during 2009; includes efficiency adjustment	(34) 0
k)	Incentives (Executives & Non- executives)	Remove executives' incentives; remove 6 yr avg. on all incentives	(92) 0
m)	Insurance Expense	Adjust to actual	(10) 0
n)	Miscellaneous A&G Expenses	Remove various A&G expenses; including dues, sponsorships, 50% of Board of Director expenses, Ross Court, legal expenses, etc.	(70) 0
p)	Restate Debt Interest	Flow through impact of Rate Base adjustments	(7) 0
q)	Capital Additions	Adjust 2009 Capital for Allocation adjustment	(75) (463)
Total Adjustments		\$ (801)	\$ (463)
Adjusted Amounts		\$ 1,939	\$ 90,028

9. Summary of Adjustments.

(a.) Return on Equity. Reflects the agreed upon capital structure and rate of return applied to the adjusted rate base. Adopts Staff's recommended return on equity.

(b.) Power Supply. Reflects adjustments to Avista's original power supply calculation, as follows:

(i.) Adopts Staff's position to remove short-term contracts already entered into for the pro forma period, reflecting an approximate reduction in revenue requirement of \$6.8 million. These costs will be recovered through the PCA, subject to the 90/10 percent sharing.

(ii.) Uses a one-month average natural gas price as proposed by Staff but for a more current period of May 1 through May 31, 2009 of \$4.79/Dth³ for the unhedged portion of the generation, reflecting an approximate reduction in revenue requirement of \$7.1 million.

(c.) Production Property Adjustment. This flow through adjustment is directly linked to all other adjustments in the Stipulation that affect production and transmission related revenues, expenses, and rate base.

(d.) Regulatory Fees. Reflects the Staff proposed reduction to the regulatory fees that Avista will pay for 2009 that was determined by the Commission after the Company filed its Application.

(e.) Labor Non-Executive. Adopts Staff's position which reflects the reduction to wages for non-executive employees to include the actual wage increases implemented in 2009 and the elimination of any increase in 2010.

(f.) Labor Executive. Reflects the current level of wages for executives, eliminating any pro forma pay increases in 2009 and 2010.

(g.) Information Services (IS). Adopts most of Staff's recommendation. Reflects the elimination of labor costs for employees not hired at the time of this stipulation by the Company, and reflects a reduction to costs for efficiency gains from implementing new IS procedures.

(h.) Asset Management. Adopts Staff's recommendation which reflects a reduction to costs for efficiency gains.

³ As compared to the \$7.67/Dth used in the Company's filed case.

(i.) Spokane River Relicensing Costs. The base case adopts Staff's position that removes the Company's revenue requirement and rate base related to the Spokane River Relicensing costs that were pro formed into the original filing. Given the fact that FERC has placed the pending relicense on its agenda for June 18, 2009, the Parties have agreed to include costs associated with relicensing through December 31, 2009, upon issuance of a new FERC license. If a timely license is issued, the total revenue requirement will be \$12,548,000, or an overall increase of 5.70% (before the PCA offset). The parties agree that the costs included in the Company's filing associated with the relicensing of the Company's hydroelectric projects on the Spokane River are deemed prudent and recoverable subject to an audit review of the final costs. In this case these costs should be included as part of the base rate increase assuming that a relicensing order issues from FERC granting a new license prior to July 22, 2009. The capital costs that were pro formed were revised for estimated costs through June 30, 2009.⁴ In addition, the annual Protection, Mitigation and Enhancement (PM&E) costs that were pro formed in the Company's filing have been revised to remove all 2010 costs and revised to include annual 2009 labor costs that were not otherwise reflected in the original filing. The net effect of these revisions is a reduction to revenue requirement for PM&E costs of \$263,000. All PM&E costs incurred during the six months ended June 30, 2010, will be deferred with a carrying charge for subsequent recovery

⁴ The FERC has scheduled Commission meetings on June 18 and July 16, 2009; on either date it is possible that FERC may act to approve Avista's pending relicensing application for the Spokane River Projects. (The actual order, however, may not issue for a few days after the actual meeting, even though it is acted upon; hence, the date of July 22, 2009 was chosen as a deadline.) The FERC has published its agenda for its June 18, 2009 meeting, which identifies Avista's relicensing application as an action item. The agreed upon increase in base rates shall increase from \$9,438,000 to \$12,548,000, as part of this Docket. Page 1 of Appendix 1 is a restatement of the Summary Table of Adjustments shown at page 5, above, to reflect the inclusion in rates of the Spokane River Relicensing Costs; Page 2 of Appendix 1 is a restatement of the table at page 13, below, to demonstrate the impact of also including such costs on the rates for each customer class, after reflecting the PCA reduction.

in rates, as part of the Company's next general rate case. The annual carrying charge shall be the then-current customer deposit rate.

In the event a license is not issued in accordance with the above time table, the Parties agree to defer as a regulatory asset (in Account 182.3 – Other Regulatory Assets) Idaho's share of the depreciation/amortization associated with the aforementioned costs, and PME costs through June 30, 2010, 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, either in a separate filing or as part of the Company's next general rate case. The annual carrying charge shall be the then-current customer deposit rate.

(j.) Colstrip Mercury Emission O&M. Adopts Staff's proposal to reduce the pro formed O&M costs associated with the mercury control abatement project at Colstrip to the revised estimate for December 2009, and exclude the 2010 expense level pro formed by the Company.

(k.) Compensation Incentives. Adopts Staff's position which reflects the actual non-executive expenses for the test period, instead of the six-year average proposed by the Company, and removes all executive incentives included in the Company's test period.

(l.) Generation O&M Expense. Adopts Staff's position. Reflects the 2009 level of expense for generation O&M, corrects model error, and excludes all 2010 O&M expenses pro formed by the Company.

(m.) Insurance Expense. Adopts Staff's position and adjusts to reflect the actual expenses for 2009.

(n.) Miscellaneous Expenses. Adopts Staff's proposal to remove various administrative and general costs, including dues/sponsorships (\$70,000 electric / \$11,000

gas), 50% of Board of Director expenses (\$151,000 electric / \$37,000 gas), non-recurring costs for the design of the Ross Court building (\$138,000 electric), and certain non-recurring legal expenses (\$12,000 electric / \$23,000 gas).

(o.) Coeur d' Alene Tribe Settlement. The Parties agree to the recovery of costs associated with the settlement of issues involving the Coeur d' Alene Tribe litigation and adopt Staff's proposal to utilize the average of monthly averages level of associated rate base through December 31, 2009.

(p.) Restate Debt Interest. Reflects the income tax effect of the change in interest expense related to all other adjustments in the Stipulation that affect rate base. This adjustment restates debt interest using the agreed-upon pro forma weighted average cost of debt of 3.3%.

(q.) Capital Additions (Natural Gas Only). Adopts Staff's position to reflect the revenue requirement and rate base reduction for capital costs and expenses reflecting a lower allocation of natural gas capital blankets to the Idaho natural gas operations.

10. Recovery of Lancaster Costs. The Company requested the recovery of the costs associated with the Lancaster Tolling Agreement through the PCA.⁵ Staff has reviewed the purchase of the output from Lancaster and has found it reasonable, and has agreed to the recovery of these costs through the PCA, with full recovery of the fixed costs⁶, but with the variable fuel costs subject to the 90/10 sharing under the PCA.

11. PCA Authorized Level of Expense. The Company will compute, as part

⁵ The Lancaster power plant is a 275 MW gas-fired combined cycle combustion turbine located in Rathdrum, Idaho. Avista Utilities will purchase all of the output of the plant through 2026.

⁶ As noted in Staff witness Hessing's pre-filed testimony, fixed power supply costs are normally included in base rates for full recovery in a general rate case once these costs have been found to have been prudently incurred. (Hessing Direct, at p. 11, lines 4-16)

of its compliance filing, the level of power supply expense, retail load and revenue credit resulting from the final revenue requirement determined by the Commission, for purposes of the monthly PCA mechanism calculations.

12. Prudency of Energy Efficiency Expenditures. The Parties agree that Avista's expenditures for electric and natural gas energy efficiency programs from January 1, 2008 through November 30, 2008 will be subject to further review for prudence and recovery in a subsequent docket.

13. Cost of Service. As part of its next general rate case (GRC), the Company will prepare an analysis of the impacts of allocating 100% of transmission costs to demand, as well as allocating transmission costs to reflect any peak and off-peak seasonal cost differences over seven months, rather than assuming an equal weighting over twelve months. The Company is also in the process of compiling twelve (12) months of continuous load data for use in future analysis of costs-of-service, and will share the results of the consultant's analysis of such data with interested parties as soon as it becomes available.

14. PCA Sharing Percentage. The Company agrees to withdraw its request to amend the PCA sharing ratio. The sharing ratio shall remain at its current value of 90/10.

15. Rate Spread/Rate Design.

(a.) The Parties agree that the increase in electric base revenue ultimately approved by the Commission will be spread on a uniform percentage basis to all schedules as proposed by Staff.

(b.) Adopts Staff's position that there will be no increase in the basic charges, monthly minimum charges, or demand charges in Schedules 11, 21 and 25.

(c.) Otherwise, a uniform percentage increase will be applied to each energy rate within each electric service schedule as proposed by Staff.

(d.) Adopts Staff's position that the current residential electric basic charge of \$4.60 per month and the residential natural gas basic charge of \$4.00 per month will remain unchanged.

(e.) Effective Date for New Rates. Based upon the Settlement of all the issues, the Parties agree that the effective date for new electric and natural gas rates should be August 1, 2009.

(f.) Electric Rates. Coincident with the effective date of the increase in base electric rates, the Parties have agreed to reduce the stated Power Costs Adjustment Clause (PCA) electric surcharge (see Tariff Schedule 66) so that the overall reduction in revenue is 4.2%. After giving effect to this offsetting reduction in the PCA rate, the following table reflects the change in energy rates agreed to by the Parties:

<u>ELECTRIC SERVICE CHANGE IN RATES</u> ^{(1)/(2)}			
	<u>Increase Energy Rate</u>	<u>Change in PCA Rate</u>	<u>Net Change</u>
Residential (1)	4.6%	(3.8%)	0.8%
General Services (11)	4.6%	(3.3%)	1.3%
Lg. General Services (21)	5.3%	(5.0%)	0.3%
Ex. Lg. General Services (25)	5.1%	(6.8%)	(1.7%)
Potlatch (25P)	4.8%	(7.1%)	(2.3%)
Pumping Service (31)	4.4%	(3.9%)	0.5%
<p>⁽¹⁾ The increase in the energy rate was determined based on a uniform percentage increase in total revenue for each schedule. The change in the PCA rate was determined on a uniform cents per kWh basis applicable to all schedules, as required by Order No. 30361.</p> <p>⁽²⁾ The final changes to energy rates will vary slightly depending on the inclusion of the Spokane River Relicensing. (See Appendix 1 Page 2.)</p>			

(g.) Gas Rates. Coincident with the effective date of the increase in base natural gas rates, the Parties have agreed to reduce the Company's Weighted Average Cost of Gas (WACOG) by reducing the present rate reflected under Schedule 150 – Purchased Gas Cost Adjustment, resulting in a net overall revenue change for General Service Schedule 101 of 0%. The Staff's proposed rate spread was used to determine the general revenue requirement increase by schedule. The reduction in the WACOG is 2.662 cents per therm, which is equivalent to the general increase per therm for Schedule 101. Applying this same reduction in the WACOG of 2.662 cents per therm for the remaining schedules, results in the net change shown in the table below:

NATURAL GAS SERVICE CHANGE IN RATES⁽¹⁾			
	General Increase	Change in WACOG	Net Change
General Services (101)	2.1%	(2.1%)	0%
Lg. General Services (111)	2.1%	(2.4%)	(0.3%)
Interruptible Services (131)	1.3%	(2.8%)	(1.5%)
Transportation Service (146)	2.8%	–	2.8%

(1) The percentages are calculated with all current Schedule 150 revenue included in base rate revenue.

16. Customer Service-Related Issues.

(a.) Low Income Legislation – Avista will support legislation in the State of Idaho during the next legislative session in order to establish a Low Income Bill Payment Assistance Program.

(b.) Low-Income Weatherization Funding – The Parties agree to maintain the annual level of funding of \$465,000 to Idaho service (CAP) agencies for funding of weatherization (which includes administrative overhead). The continuation and level of such funding will be revisited in the Company’s next general rate filing, or other appropriate proceeding.

(c.) 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. This amount will be funded through the Energy Efficiency Tariff Rider (Schedules 91 and 191), and will be in addition to the \$465,000 of Low-Income Weatherization Funding. The continuation and level of such funding will be revisited in the Company’s next general rate filing or other appropriate proceedings.

(d.) Payment Plans – The Company agrees to confer with Staff to assess the effectiveness of its new payment plans and identify ways to decrease defaults on payment arrangements.

(e.) Low-Income Deposit Requirements – As proposed by Staff, the Company will undertake a study to evaluate the effectiveness of its deposit policies and practices.

17. 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.

18. 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.

19. 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.

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

21. 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.

22. 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.

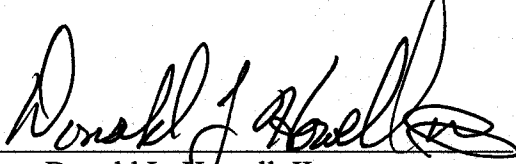
23. This Stipulation may be executed in counterparts and each signed counterpart shall constitute an original document.

DATED this 16th day of June, 2009.

Avista Corporation

By _____
David J. Meyer
Attorney for Avista Corporation

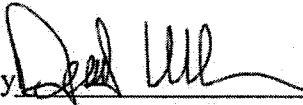
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By 
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Attorney for IPUC Staff

Clearwater Paper Corporation

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Conley E. Ward

Idaho Forest Group

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Dean J. Miller
Attorney for Idaho Forest Group
LLC

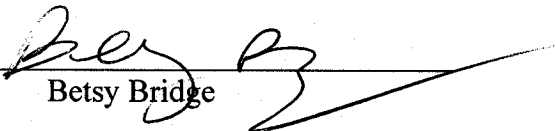
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Idaho Public Utilities Commission
IDAHO PUBLIC UTILITIES COMMISSION

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Betsy Bridge

DATED this ¹⁶~~16~~ day of June, 2009.

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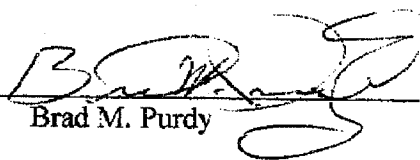
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DATED this 16th day of June, 2009.

Avista Corporation

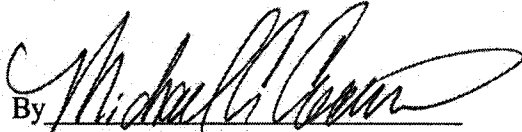
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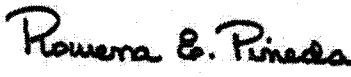
Idaho Forest Group

By 
Conley E. Ward
MICHAEL C. CREAMER
Attorneys for Clearwater
Paper Corporation

Community Action Partnership
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Community Action Network

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**APPENDIX 1
AVISTA UTILITIES
ELECTRIC SERVICE CHANGE IN RATES
(Includes Spokane River Relicensing)**

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**SUMMARY TABLE OF ADJUSTMENTS TO ELECTRIC REVENUE REQUIREMENT
000s of Dollars**

		Revenue Requirement	Rate Base
Amount As Filed		\$ 31,233	\$ 577,434
Adjustments:			
a)	Return on Equity	(2,257)	0
b)	Power Supply	(13,869)	0
c)	Production Property Adjustment	858	231
d)	Regulatory fees	(168)	0
e)	Labor-Non-Exec	(299)	0
f)	Labor-Executive	(59)	0
g)	Information Services	(200)	
h)	Asset Management	(88)	0
i)	Spokane River Relicensing (1)	(310)	(309)
j)	Colstrip Mercury Emission O&M	(516)	0
k)	Incentives (Executives & Non-executives)	(374)	0
l)	Generation O&M expense	(835)	0
m)	Insurance Expense	(35)	0
n)	Miscellaneous A&G Expenses	(371)	0
o)	CDA Tribe	(183)	(1,065)
p)	Restate Debt Interest	21	0
Total Adjustments		(18,685)	(1,143)
Adjusted Amounts (1)		\$ 12,548	\$ 576,291

(1) Recovery of Montana Riverbed Lease Payments. The Parties agree to the recovery of costs associated with the payments made by the Company to the State of Montana to resolve the litigation over appropriate lease payments for use of the riverbed by the Company's Noxon and Cabinet Gorge Hydroelectric Projects. The unamortized balance of lease payments will be included in rate base at the Company's overall rate of return and amortized over the remaining eight (8) years of the ten (10) year lease agreement.

**APPENDIX 1
 AVISTA UTILITIES
 ELECTRIC SERVICE CHANGE IN RATES
 (Includes Spokane River Relicensing)**

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<u>ELECTRIC SERVICE CHANGE IN RATES</u> ^{(1)/(2)}			
	Increase Energy Rate	Change in PCA Rate	Net Change
Residential (1)	6.1%	-3.8%	2.3%
General Services (11)	6.2%	-3.3%	2.9%
Lg. General Services (21)	7.1%	-5.0%	2.1%
Ex. Lg. General Services (25)	6.8%	-6.8%	0.0%
Potlatch (25P)	6.4%	-7.1%	-0.7%
Pumping Service (31)	5.8%	-3.9%	1.9%

(1) The increase in the energy rate was determined based on a uniform percentage increase in total revenue for each schedule (net overall increase in revenue is 5.7%). The change in the PCA rate was determined on a uniform cents per kWh basis applicable to all schedules, as required by Order No. 30361 (net overall reduction in revenue is 4.2%). After giving effect to the reduction in the PCA surcharge, the net increase in the overall revenue change is 1.5%.