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IDAHO PUBLIC
UTILITIES COMMISSION

AVISTA Corp.

June 24, 2009

Jean D. Jewell
Commission Secretary
Idaho Public Utilities Commission
472 W. Washington Street
Boise, ID 83702

Re: Case Nos. AVU-E-09-01 and AVU-G-09-01
Testimony in Support of the Stipulation and Settlement

Dear Ms. Jewell:

Enclosed for filing with the Commission in the above-referenced docket are the original and nine (9) copies (one (1) copy designated as reporter's copy) plus a computer disk as required by Rule 231.05. of Kelly Norwood's Direct Testimony in Support of the Stipulation and Settlement.

Sincerely,

Kelly Norwood

Kelly O. Norwood
Vice President

Enclosures

c: Service List

CERTIFICATE OF SERVICE

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I HEREBY CERTIFY that I have this 24th day of June, 2009, served Kelly Norwood's Testimony in Support of the Stipulation and Settlement in Docket No. AVU-E-09-01 and AVU-G-09-01 upon the following parties, by mailing a copy thereof, property addressed with postage prepaid to:

Jean D Jewell, Secretary Idaho Public Utilities Commission Statehouse Boise, ID 83720-5983	Brad M. Purdy Attorney at Law 2019 N 17th Street Boise, ID 83720 Email: bmpurdy@hotmail.com
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Scott Atkison President Idaho Forest Group, LLC 171 Highway 95 N. Grangeville, ID 83530 Email: scotta@idahoforestgroup.com	Betsy Bridge Idaho Conservation League 710 N. Sixth Street (83702) PO Box 844 Boise, ID 83701 Email: bbridge@wildidaho.org
Rowena Pineda Idaho Community Action Network 3450 Hill Road Boise, Idaho 83702-4715 Email: Rowena@idahocan.org	Carrie Tracy 1265 S. Main Street, #305 Seattle, WA 98144 Email: carrie@nwfco.org

Patty Olsness

Patty Olsness
Rates Coordinator

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DAVID J. MEYER
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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 NO. AVU-E-09-01 CASE NO. AVU-G-09-01 DIRECT TESTIMONY OF KELLY O. NORWOOD IN SUPPORT OF THE STIPULATION AND SETTLEMENT

FOR AVISTA CORPORATION

(ELECTRIC AND NATURAL GAS)

I. INTRODUCTION

Q. Please state your name, employer and business address.

A. My name is Kelly O. Norwood and I am employed as the Vice-President of State and Federal Regulation for Avista Utilities ("Company" or "Avista"), at 1411 East Mission Avenue, Spokane, Washington.

Q. Would you briefly describe your educational background and professional experience?

A. Yes. I am a graduate of Eastern Washington University with a Bachelor of Arts Degree in Business Administration, majoring in Accounting. I joined the Company in June of 1981. Over the past 28 years, I have spent approximately 17 years in the Rates Department with involvement in cost of service, rate design, revenue requirements and other aspects of ratemaking. I spent approximately 11 years in the Energy Resources Department (power supply and natural gas supply) in a variety of roles, with involvement in resource planning, system operations, resource analysis, negotiation of power contracts, and risk management. I was appointed Vice-President of State & Federal Regulation in March 2002.

Q. What is the scope of your pre-filed testimony in this proceeding?

A. The purpose of my testimony is to describe and support the Stipulation and Settlement ("Stipulation"), filed on June 16, 2009 between 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"), the Idaho Conservation League ("Conservation League"), and the Company, which, if approved by the Commission, would resolve all of the issues in the Company's filing. These entities are collectively referred to as the "Parties," and represent all parties in the above-referenced cases.

The Stipulation is the product of settlement discussions held in the Commission offices on June 5, 2009, which was attended by representatives of all Parties, with the exception of the Conservation League. The Stipulation between the Parties resolved all issues associated with the calculation of the Company's requested cost of capital, including capital structure and cost components, and resolved all revenue requirement, rate spread and rate design issues.

The Stipulation represents a compromise among differing points of view. Concessions were made by all Parties to reach a balancing of interests. As will be explained in the following testimony, the Stipulation represents a fair, just and reasonable compromise of the issues and is in the public interest.

Q. Are you sponsoring any exhibits?

A. Yes. I am sponsoring Exhibit No. 1, which consists of a spreadsheet that shows the proposed electric changes in rates/revenues by service schedule.

Q. Please explain how the Parties arrived at the Stipulation in this proceeding.

A. The Stipulation is the end result of extensive audit work conducted through the discovery process and hard bargaining by all Parties in this proceeding. I would like to express my appreciation to all Parties involved in this proceeding for their efforts in arriving at this Stipulation and to this Commission for your willingness to hear this matter promptly, in light of the proposed August 1 effective date.

Q. Would you briefly summarize the Stipulation?

A. Yes. Under the terms of the settlement agreement, Avista will be allowed to implement revised tariff schedules designed to recover $12,548,000 in additional annual electric revenue, which represents a 5.70% increase in electric annual base tariff revenues. Offsetting the electric increase will be an overall 4.2% decrease in the current Power Cost Adjustment (PCA) surcharge. As a result of the two adjustments, a residential customer using an average of 982 kilowatt hours per month would see a $1.50, or 1.9%, increase per month for a revised monthly bill of $79.97.

Included in the rates are relicensing costs for the company's Spokane River hydropower projects. The parties had agreed in the Stipulation that if Avista received approval from the Federal Energy Regulatory Commission (FERC) for the relicensing of its Spokane River hydropower projects before July 22nd, the relicensing costs would be included in the electric rate increase.[1] Avista received FERC approval of the license on June 18, 2009.

Avista will also be allowed to implement revised tariff schedules designed to recover $1,939,000 in additional annual natural gas revenue, which represents a 2.11% increase in natural gas annual base tariff revenues. Offsetting the natural gas rate increase for residential customers will be an equivalent PGA decrease. As a result, a residential customer using an average of 65 therms per month would see no change in their $78.23 per month bill. Other customer classes, except transportation customers, will also see an offsetting PGA rate decrease.

In determining these revenue increases, the Parties have agreed to various adjustments to the Company's filing,

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[1] The Stipulation includes information and data in the event that FERC did not issue the license prior to July 22nd.

which are summarized in the Stipulation, and described further below in testimony.

The Stipulation calls for an overall rate of return of 8.55%, determined using a capital structure consisting of 50% common stock equity and 50% long-term debt, an authorized return on equity of 10.50% and the cost of debt of 6.60%.

The Stipulation also addresses accounting treatment of the Spokane River Relicensing costs and I will provide detail later in my testimony.

As part of the Stipulation, the funding level of the existing low-income Demand Side Management programs and the funding to assist low-income outreach and education concerning conservation will continue.

II. HISTORY OF FILING

Q. Please describe the Company's general rate case request, as filed.

A. 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. Coincident with the effective date of new electric retail rates from this general rate case filing, Avista proposed a reduction in the current Power Cost Adjustment (PCA) surcharge of 5.0%.

The Company proposed to spread the electric revenue increase by rate schedule on a basis which: 1) moved the rates for nearly all the schedules closer to the cost of providing service, and 2) resulted in a reasonable range in the (net) proposed percentage increase across the schedules. The PCA surcharge was applied on a uniform cents per kwh basis across all schedules and resulted in a different percentage increase by schedule depending on the level of base tariff rates/revenue. By including the proposed decrease in the current PCA surcharge during 2009, an opportunity was presented to move base tariff rates closer to the cost of providing service. The Company also proposed to raise the monthly electric residential basic charge to $5.00 from the current $4.60 charge.

The Company proposed utilizing the results of the natural gas cost of service study, sponsored by Company witness Knox, as a guide in spreading the overall revenue increase to its natural gas service schedules and proposed to raise the natural gas residential basic charge to $4.25 from the current $4.00.

Q. What are the primary factors causing the Company's request for an electric rate increase in this filing?

A. This case is about more than just year-over-year changes in utility operating costs, such as power costs, fuel, materials and supplies, and labor. We are also investing large amounts of capital to preserve and upgrade our existing utility infrastructure to meet growing customer demand. We are also continuing to experience major cost impacts related to meeting new reliability standards, environmental compliance, and litigation related to the preservation of what have historically been our low-cost resources we have used for decades to serve our customers, as explained in the Company's original filing.

Q. What are the primary factors driving the Company's request for a natural gas rate increase?

A. The Company's natural gas request is primarily driven by changes in various operating cost components, mainly distribution operation and maintenance and administrative and general expenditures. This causes an increase in the ownership and operating costs of providing natural gas service to customers.

III. REVENUE REQUIREMENT ELEMENTS OF THE STIPULATION

Q. Please explain the derivation of the Electric and Natural Gas Revenue Requirements outlined in the Stipulation.

A. The Parties agreed that Avista will reduce its electric revenue increase request to reflect the adjustments shown on the table on Page 1 of Appendix 1 to the Stipulation. While Avista's filing requested an electric revenue requirement increase of $31.233 million, the adjustments, including the agreed-upon rate of return, reduce this amount by $18.685 million, resulting in a recommended electric revenue requirement increase of $12.548 million.

Similarly, as shown on the table on Page 6 to the Stipulation, while the Company requested a natural gas revenue requirement increase of $2.74 million, the agreed-upon adjustments serve to reduce this amount by $.801 million, resulting in a recommended natural gas revenue requirement increase of $1.939 million.

As can be seen by a quick review of the individual line descriptions, the adjustments accepted for settlement purposes cover a broad range of revenue and cost categories, including the authorized rate of return. The individual adjustments should not be viewed in isolation; rather, they should be viewed in total as part of the entire Stipulation, and are the result of hard bargaining and compromise.

Q. Please explain the Parties' agreement in regards to an Authorized Rate of Return, including the Return on Equity.

A. The Parties have agreed to a revenue requirement which produces an overall rate of return of 8.55%, based on a return on equity of 10.5% and an equity component at 50%. By comparison, the Company's original filing requested an overall rate of return of 8.80%, a return on equity of 11.0% and an equity component of 50%. The cost of debt of 6.60% and long-term debt component of 50% included in the original filing was agreed to in the Stipulation.

Q. What is the proposed effective date of the Stipulation?

A. The Parties have requested implementation of the Stipulation on August 1, 2009. This proposed effective date is an integral part of the Stipulation that was part of the negotiated resolution of all of the issues.

Q. Please explain the accounting treatment related to the Spokane River Relicensing costs.

A. Given the fact that FERC issued the license on June 18, 2009, the Parties have agreed to include costs associated with relicensing through December 31, 2009. 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. The capital costs that were pro formed were revised for estimated costs through June 30, 2009. 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 in rates, as part of the Company's next general rate case. The annual carrying charge shall be the then-current customer deposit rate.

Q. Please provide an overview of the revenue requirement adjustments agreed to by the Parties.

A. A number of the adjustments were standard-type adjustments that adjusted estimates to actual amounts. A description of other adjustments follows:

(a.) <u>Power Supply</u>. - The power supply adjustment proposed by the Company in the original filing was adjusted for the following:

(i.) To adopt 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.) To Use 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/Dth, as compared to the cost of $7.67/Dth, for the unhedged portion of the generation, reflecting an approximate reduction in revenue requirement of $7.1 million.

(b.) Executive Compensation and Incentives. - Subsequent to the filing of this case, the executives of Avista agreed to forego any increases in base salary in 2009. Due to this, the Parties agreed to remove all of the 2009 proposed salary increases for executive labor to reflect this decision, and to remove the estimated increases for 2010. Also, the base salaries of all executives as of March 31, 2009, were annualized to reflect a full twelve months of their current pay. In addition, all executive incentives included in the Company's test period were removed.

Staff witness Mr. English described Staff's approach in analyzing the reasonableness of the executive compensation package and its impact on residential customer rates. Staff concluded that the level of executive salaries included in the current case is comparable to the level approved in the previous general rate case. Staff also concluded that Avista's executive salaries, when compared to other utility providers of comparable size, are paid below the average for the management of a business with $1.5 billion annual revenue.

(c.) Remove 2010 Costs. – In the original filing, the Company pro formed several costs to the level of expense that the Company expects during the rate year (July 1, 2009 through June 30, 2010), including Colstrip Mercury Emissions costs, annual Protection, Mitigation and Enhancement (PM&E)costs required with the FERC Spokane River License, and Generation O&M costs. The Company agreed to adopt Staff's proposal to include only 2009 costs and exclude the 2010 expense level pro formed by the Company.

(d.) Efficiency Gains. – Avista Utilities has undertaken a number of improvements and efficiency initiatives throughout our service area that are focused on either increasing customer service and satisfaction, or increasing productivity and reducing operating costs. The Integrated Voice Response System, the Outage Management System, and the Mobile Dispatch Program are a few of these programs that are detailed further in Company witness Mr. Kopczynski's direct testimony. We believe these measures have served to mitigate the impact on customers of the proposed rate increase. The Company agreed to adopt Staff's proposal to reflect certain reductions to costs for efficiency gains from implementing new Information Systems procedures and Asset Management Program procedures.

(e.) Miscellaneous Costs. - The Company adopted, for settlement purposes, Staff's proposal to remove various administrative and general costs, including dues/sponsorships ($70,000 electric / $11,000 natural gas), 50% of Board of Director expenses ($151,000 electric / $37,000 natural 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 natural gas).

IV. OTHER ELEMENTS OF THE STIPULATION

Q. Please explain the settlement terms relating to the recovery of Lancaster costs.

A. 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. The Company requested the recovery of the costs associated with the Lancaster Tolling Agreement through the PCA. 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 costs[2], but with the variable fuel costs subject to the 90/10 sharing under the PCA.

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[2] 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)

Q. Please explain the settlement terms relating to cost of service.

A. 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.

Q. Please explain the settlement terms relating to PCA Sharing Percentage.

A. The Company proposed to change the sharing percentages between Customers and the Company from 90%/10% to 95%/5%, primarily due to the increased volatility of power supply costs. 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%.

Q. Please explain the settlement terms relating to prudency of energy efficiency expenditures.

A. 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.

Q. Please describe the low-income portion of the Stipulation.

A. There are five areas the Company addressed in the Stipulation, as follows:

(a.) <u>LIRAP Legislation</u> - 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.) <u>Low-Income Weatherization Funding</u> - 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.) <u>Funding for Outreach for Low-Income Conservation</u> - 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.) <u>Payment Plans</u> - 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.) <u>Low-Income Deposit Requirements</u> - As proposed by Staff, the Company will undertake a study to evaluate the effectiveness of its deposit policies and practices.

Q. Does the Company have other programs in place to mitigate the impacts on customers of the proposed rate increase?

A. Yes. Avista Utilities offers a range of programs to help customers who have difficulty paying their energy bills. Some programs are in cooperation with local Idaho community action agencies, who are specialized in targeting assistance where it is most needed. We are very aware of the impacts energy costs have on our customers.

Programs designed to assist customers include:

- **DSM Energy Efficiency Programs.** In March 2008 Avista proposed, and the IPUC approved, modifications to the Company's energy efficiency program offerings. The modifications further broadened the technical and financial support Avista provides to its customers, and provides customers with increased opportunity to manage their energy bills. In 2008 Avista also launched the award-winning "Every Little Bit" energy efficiency promotional campaign which integrates all of the Company's energy efficiency programs into one location.

- **Project Share.** Project Share is a voluntary program allowing customers to donate funds that are distributed through community action agencies to customers in need. In addition to the customer and employee contributions of $74,333 in Idaho, Avista shareholders contributed $50,000, Idaho's share, to the program in 2008.

- **Comfort Level Billing.** The Company offers the option for all customers to pay the same bill amount each month of the year by averaging their annual usage. Under this program, customers can avoid unpredictable winter heating bills.

- **Payment Arrangements.** The Company's Contact Center Representatives work with customers to set up payment arrangements to pay energy bills.

- **CARES Program.** Customer Assistance Referral and Evaluation Services provides assistance to special-needs customers through access to specially trained (CARES) representatives who provide referrals to area agencies and churches for help with housing, utilities, medical assistance, etc.

- **Customer Service Automation.** Customers are able to access Avista's Interactive Voice Response system (IVR) for automated transactions to enter their own payment arrangements, listen to outage messages and conduct other business such as obtaining account balances and requesting a duplicate bill.

- **Power to Conserve.** In partnership with KREM television, a half-hour television program is annually developed that covers low-cost and no-cost ways to save energy at home. The goal of the program is to help limited income seniors and other vulnerable populations with their energy bills by providing home energy conservation education. The program provides helpful energy conservation tips, information on community resources and ways for customers to manage their energy bills. A DVD of the program has also been produced which is included as part of energy conservation kits provided in senior conservation workshops.

- **Senior Energy Workshops.** Energy efficiency workshops that focus on safety as well as the wise use of energy have been specially designed for the senior population. Kits are provided that contain energy-saving items such as compact fluorescent light bulbs, draft stoppers, rope caulking, etc. The Power to Conserve program DVD along with energy efficiency tip sheets are also included in the kit. Workshops are held at senior meal sites, senior centers and other senior support locations.

- **KHQ.com - Caregivers Resource.** Avista sponsors the Caregivers Resource page on KHQ's Senior Life website in order to reach seniors and caregivers with a wide variety of resource information including energy efficiency, energy assistance information, Avista CARES, bill paying assistance, etc. Several video clips offer low-cost, no-cost energy saving ideas.

- **Senior Publications.** Avista created a one page advertisement that is placed in several senior directories and publications as part of an effort to reach seniors with information about energy efficiency, Comfort Level Billing, Avista CARES, and energy assistance information.

V. RATE SPREAD & RATE DESIGN

Q. Are you sponsoring an exhibit that shows the percentage change in electric rates/revenue by rate schedule resulting from the Stipulation?

A. Yes. Exhibit No. 1 shows the percentage change by rate schedule. Column (f) shows the general increase, column (g) shows the effect of the PCA rate decrease, and column (j) shows the net change.

Q. How did the Stipulation address rate spread?

A. The table on Page 2 of Appendix 1 of the Stipulation shows the impact on the energy rates under each service schedule of the agreed-upon electric increase, including the effect of including the FERC Spokane River License. The proposed electric revenue increase of $12,548,000 represents an overall increase of 5.70% in base rates and is spread on a uniform percentage basis to all schedules (applied only to the energy charges). The table also shows the impact on each service schedule of the change in the PCA rate, which was determined on a uniform cents per kWh basis applicable to all schedules, as required by Order No. 30361, which represents a reduction in revenue of 4.2%.

Page 14 of the Stipulation shows the impact on each service schedule of the agreed-upon natural gas increases. The increased natural gas revenue requirement of $1,939,000 represents an overall increase of 2.11% in base 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 to natural gas rates that are shown in the table on Page 14 of the Stipulation.

Q. What is the basis of the Stipulation relating to the rate design?

A. The Stipulation adopted 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. Otherwise, a uniform percentage increase will be applied to each energy rate within each electric service schedule as proposed by Staff.

The parties also adopted 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.

VI. CONCLUSION

Q. What is the effect of the Stipulation?

A. The Stipulation represents a negotiated compromise on a variety of issues among the Parties. Thus, the Parties have agreed that no particular party shall be deemed to have approved the facts, principles, methods, or theories employed by any other in arriving at these stipulated provisions, and that the terms incorporated should not be viewed as precedent setting in subsequent proceedings except as expressly provided.

Q. In conclusion, why is this Stipulation in the public interest?

A. This Stipulation strikes a reasonable balance between the interests of the Company and its customers, including its low-income customers. As such, it represents a reasonable compromise among differing interests and points of view.

The Parties have agreed that the Company has demonstrated need for a revenue requirement increase for both its electric and natural gas customers. The Stipulation provides for recovery of these costs. In the final analysis, however, any settlement reflects a compromise in the give-and-take of negotiations. The Commission, therefore, has before it a Stipulation that is supported by sound analysis and supporting evidence, the approval of which is in the public interest.

Q. Does this conclude your pre-filed direct testimony?

A. Yes, it does.

AVISTA UTILITIES
IDAHO ELECTRIC, CASE NO. AVU-E-09-01
PROPOSED INCREASE BY SERVICE SCHEDULE
12 MONTHS ENDED SEPTEMBER 30, 2008
(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(1)	**Base Tariff Percent Increase**	Sch. 66 PCA Change	Sch. 66 PCA % Change	Total Gen & Sch. 66 Change	**Total Gen & Sch. 66 % Change**
	(a)	(b)	(c)	(d)	(e)	**(f)**	(g)	(h)	(i)	**(j)**
1	Residential	1	$86,358	$4,918	$91,276	**5.7%**	($3,090)	**-3.6%**	$1,829	**2.1%** (2)
2	General Service	11,12	$27,841	$1,587	$29,428	**5.7%**	($860)	**-3.1%**	$727	**2.6%**
3	Large General Service	21,22	$46,634	$2,660	$49,294	**5.7%**	($1,883)	**-4.0%**	$777	**1.7%**
4	Extra Large General Service	25	$14,497	$825	$15,322	**5.7%**	($836)	**-5.8%**	($11)	**-0.1%**
5	Potlatch	25P	$37,941	$2,161	$40,102	**5.7%**	($2,415)	**-6.4%**	($254)	**-0.7%**
6	Pumping Service	31,32	$4,139	$235	$4,374	**5.7%**	($156)	**-3.8%**	$79	**1.9%**
7	Street & Area Lights	41-49	$2,842	$162	$3,004	**5.7%**	($37)	**-1.3%**	$125	**4.4%**
8	Total		$220,252	$12,548	$232,801	**5.7%**	($9,277)	**-4.2%**	$3,272	**1.5%**

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

(2) The percentage change in billed revenue for residential service (including rate adjustments described above) is 1.9%.