BEFORE THE



IDAHO PUBLIC UTILITIES COMMISSION

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| 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-09-1/ AVU-G-09-1 |

DIRECT TESTIMONY OF MATT ELAM

IDAHO PUBLIC UTILITIES COMMISSION

MAY 29, 2009

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

A. My name is Matthew Elam. My business address is 472 West Washington Street, Boise, Idaho.

Q. By whom are you employed and in what capacity?

A. I am employed by the Idaho Public Utilities Commission (Commission) as a Utilities Analyst in the Engineering Section of the Utilities Division.

Q. What is your education and experience?

A. I graduated from Boise State University in 2004 earning a Bachelor of Arts degree in Economics. I also earned a minor in Sociology. Following graduation I was accepted into the Albertsons Management Development Program where I worked as a Business Analyst in Finance and Corporate Planning before transitioning to Research and Market Analysis. My primary duties included demographic profiling, modeling, and demand forecasting for the purposes of determining ROIC (Return on Invested Capital). In early 2007 I accepted a Business Analyst position with geoVue Inc. where I consulted companies in a similar capacity and would later be promoted to a Senior Business Analyst and Modeler.

Q. What is the purpose of your testimony?

A. Under the direction of Randy Lobb, Utilities Administrator, I will discuss the Company's Jurisdictional Separations, Customer Class Cost of Service, Weather Revenue

Normalization, and Revenue Allocation. I will discuss Staff's proposal to adjust the Schedule 150 Weighted Average Cost of Gas (WACOG), and provide rate recommendations for the natural gas service Schedules (Schedule 101, Schedule 111/112, Schedule 131/132, and Schedule 146).

Q. Please summarize your testimony in this case.

A. I accept the Company's Jurisdictional Separations Methodology, allocators and the results they produce using Staff's adjusted accounting information. Those results are presented in Staff witness Donn English's testimony. I recommend maintaining the current cost of gas embedded in base rates rather than shifting Schedule 150 costs into base rates as proposed by the Company. I am proposing that the Schedule 150 Weighted Average Cost of Gas (WACOG) be adjusted downward to a level that offsets the Schedule 101 base rate increase proposed by Staff. This (WACOG) adjustment will maintain the current rates for Schedule 101 and reduce rates for Schedules 111/112, and Schedules 131/132.

I accept the Company's proposal to change the weather revenue normalization methodology from an annually updated 25-year average for normal degree days to an annually updated 30-year average for normal degree days. Based on Staff's overall increase in natural gas revenue, I propose that individual class base rates move closer to cost of service and that no class receive a decrease.

I accept the Company's rate design proposals given Staff's revenue requirement with the exception of increasing the Monthly Basic Charge for Schedule 101.

**Jurisdictional Separations**

Q. What is the purpose of Jurisdictional Separations?

A. The Jurisdictional Separations process identifies the appropriate share of total Company costs and revenues to assign to Idaho customers for determining the Idaho Jurisdictional revenue requirement.

Q. Have there been any changes to the Company's system and jurisdictional procedures since the Company's last general natural gas rate case, Case No. AVU-G-08-01?

A. No. As pointed out by the Company in testimony, the current methodology was implemented in 1994 and has not changed.

Q. Do you accept the Company's Jurisdictional Separations Study?

A. Yes. I accept the methodology and allocation factors proposed by the Company. However, other Staff witnesses have proposed adjustments to the accounting data and the Return on Equity. Staff proposes an Idaho Jurisdictional revenue requirement increase of $1,894,000 shown on Staff Exhibit No. 109 to Staff witness Donn

English's testimony. This is a 2.89% increase, which is calculated based on Staff's proposal to maintain the current cost of gas embedded in base rates rather than shifting the Schedule 150 costs into base rates as proposed by the Company.

**Class Cost of Service**

Q. What is the purpose of the customer class cost of service study?

A. A customer class cost of service study is an engineering-economic study which separates the Idaho Jurisdictional revenue requirement among the various Idaho rate classes according to the revenue, expenses, and rate base associated with providing natural gas service to designated groups of customers.

There are three basic steps involved in a cost of service study known as functionalization, classification, and allocation.

Functionalization is the first process that segregates expenses and rate base into production, underground storage, and distribution categories.

Classification is the second process that classifies expenses and rate base into demand, commodity, or customer related. Demand (capacity) related costs are allocated to rate schedules on the basis of each schedule's contribution toward system peak demand. Commodity (energy) related costs are allocated based on each rate schedule's share of commodity consumption. Customer related items are allocated to rate schedules based on the number of customers within each schedule.

Allocation is the final process of assigning the costs to various rate schedules by utilizing the allocation factors selected for each specific cost item. These factors are derived from usage and customer information associated with the test period results of operations.

Q. Is the Company proposing to change the Cost of Service method accepted by the Commission in AVU-G-04-01?

A. No.

Q. Do you accept the Company's customer class cost of service study?

A. Yes.

**Weather Revenue Normalization**

Q. What is the purpose of the weather revenue normalization process in a natural gas rate case?

A. The purpose of the Company's weather revenue normalization adjustment is to calculate the revenue change given the difference in natural gas usage(in therms)required to adjust actual loads during the twelve months ended September 2008 test period to the therms expected to be consumed under normal weather conditions. This adjustment incorporates the elasticity of heating on weather sensitive customer groups. By comparing ten years of data on billed usage per customer and billing period heating degree days in a regression analysis, the Company estimates its weather sensitivity factors. The resulting seasonal weather sensitivity factors (use per customer per heating degree day) are applied to monthly test period customers and the difference between a normal heating degree days and monthly test period observed heating degree days.

Q. How does Company witness Knox define the appropriate number of heating degree days to be considered normal?

A. The Company has proposed basing normal heating degree days on a rolling 30-year average of heating degree-days reported for each month by the National Weather Service for the Spokane airport weather station. For heating, the 30 years are included on a heating season basis, July through June. This will be a rolling average, therefore for each year the normal values will be adjusted to capture the next heating season with the oldest data dropping off, thereby encapsulating the most recent information available at the end of each calendar year.

Q. Has the Company proposed any changes in the weather normalization adjustment methodology since the Company's last general rate case in Idaho (AVU-E-08-01)?

A. Yes. In Case No. AVU-G-08-01 the Company used a

25-year rolling average to determine the normal number of heating degree days for each month. In this case an additional 5 years have been included in the rolling average calculation.

Q. Why has the Company decided to change this methodology?

A. The Company says the change is in response to concerns in another jurisdiction that a rolling 25-year average may be insufficient to determine "normal" weather conditions. The Company also conducted an analysis revealing that while both a rolling 30-year average and a rolling 25-year average capture the long-term trend in regional temperatures, the rolling 30-year average showed less variability.

Q. Do you agree with the Company's assessment that it is necessary to define normal weather conditions using a rolling 30-year average?

A. No. I reviewed the information that was provided by the Company in response to Production Request No. 80 and found the reasoning for the change questionable.

The Company maintains that using a rolling 30-year average to define normal weather conditions represents a better approximation because it shows less variability in climactic cycles. The conclusion I've drawn is that it's important to capture normal climactic cycles when defining normal weather conditions. The rolling 25-year average is a shorter time frame that better illustrates the normal climactic cycles.

In addition, the utilities regulated by the Idaho Commission are beginning to file more frequent general rate cases, therefore capturing the most recent climactic cycles between filings is even more important than if utilities were waiting several years to file.

Q. Why hasn't Staff recommended the Company maintain the same weather revenue normalization methodology in this case?

A. In response to Staff's Production Request No. 80, the Company was asked to compare the increase in revenue required under a rolling 25-year average and a rolling 30-year average for both the gas and electric filing. The net difference was negligible, the electric revenue required to meet the Company's revenue requirement decreased by $27,000 and the gas revenue required to meet the Company's revenue requirement increased by $17,000. Therefore, Staff recommends that the Commission accept the Company's proposed weather normalization but direct the Company and Staff to continue evaluating the methodology in future rate cases.

**Revenue Allocation**

Q. What is the purpose of the Revenue Allocation process in a natural gas rate case?

A. Allocating revenue is the process of assigning each customer class a revenue increase using the results of the Customer Cost of Service Study as a guideline. The Cost of Service Study results represent a starting point in the assessment of appropriately determining the revenue requirement for various rate classes.

Q. What customer class revenue allocation do you recommend in order to meet the Idaho Jurisdictional revenue requirement?

A. It is my recommendation that no class receive a base rate decrease and that all classes move toward cost of service. This diminishes rate shock and assigns revenue responsibility based on costs incurred.

Q. How has Company witness Knox allocated the revenue of its Idaho gas special contract customers?

A. The Company currently has two special contract customers that receive transportation service under Schedules 147 and 159, IMCO and Clearwater Paper. Rates for these customers are not being adjusted in this case, they were individually negotiated under long-term fixed contracts in order to cover any incremental cost and retain margin.

The Company has eliminated the possibility of stranded costs by depreciating the incremental facilities used to serve its special contract customers. Therefore, the net contribution from these special contract customers has been segregated from general rate revenue and allocated back to all the other rate classes by relative rate base. Staff has reviewed the contribution associated with the Company's special contract customers and determined that it has been appropriately allocated and applied to the other customers.

Q. Do you have an exhibit illustrating the revenue requirement from Staff's proposed Cost of Service results?

A. Yes. These results are contained in Staff Exhibit No. 120.

Q. Have you prepared an exhibit that shows the rates that result in your revenue proposal?

A. Yes. I have prepared Staff Exhibit No. 121. In addition I have prepared Staff Exhibit No. 122 that compares Staff's Revenue Allocation proposal to Avista's Revenue Allocation proposal.

**WACOG Adjustment**

Q. What is the purpose of determining the Weighted Average Cost of Gas (WACOG)?

A. The WACOG is the Company's forward-looking net price of purchased gas, transportation, and storage embedded in base rates and included in the Purchase Gas Cost Adjustment (Schedule 150). Typically, Schedule 150 and the Gas Rate Adjustment (Schedule 155) are adjusted on November 1st of each year as part of the Purchased Gas Cost

Adjustment (PGA). The Gas Rate Adjustment is an amortization rate established to refund or surcharge customers the difference between the Company's actual gas costs (commodity price of gas, transportation, and storage) and the WACOG established in the previous PGA filing. Customers get either a surcharge when market prices are higher than the previous year's anticipated WACOG or a credit when market prices are lower than the previous year's anticipated WACOG.

Q. How is the WACOG included in the monthly billing rate customers pay?

A. The WACOG is collected in two parts, one part is collected in the base rate determined by the Commission in the AVU-G-04-01 case, and the other is collected in Schedule 150. The monthly billing rate customers pay is determined by combining Schedules 150, 155 and 191 to both the portion of base rate determined in the AVU-G-08-01 case unrelated to the WACOG, and the base rate portion of the WACOG. Currently the total gas costs make up $0.88013/therm of the billing rate for Schedules 101, and 111/112. The amount included in base rates is $0.53312/therm and the remainder is collected through Schedule 150. Total gas costs make up $0.78646/therm of the Schedule 131/132 billing rate because there is not a demand component given the Schedule is interruptible. The amount collected in base rate is

$0.44989/therm and the remainder is collected through Schedule 150. Each component (Schedules 150, 155, 191, and the two parts of base rate) of the billing rate can be seen in Staff Exhibit 123.

The total commodity portion collected in base rates and Schedule 150 for all the Schedules is $.78646/therm (the total demand portion for Schedules 101, and 111/112 is $.09367). The commodity portion collected in base rate is $.44989/therm.

Q. Has the Company proposed an adjustment to the net WACOG included in Schedule 150 and the billing rate customers pay monthly?

A. No. However the Company is proposing to move the current Schedule 150 adjustment into base rate schedules. Schedules 101, and 111/112 base rates would increase from $0.53312/therm to $0.88013/therm while Schedule 150 decreases by a proportional amount of $.34701/therm ($0.88013/therm-$0.53312/therm). Schedules 131/132 base rates would increase from $0.44989/therm to $0.78646/therm while Schedule 150 decreases by a proportional amount of $.33657/therm ($0.78646/therm-$0.44989/therm). The net effect of this change has no impact on the monthly billing rate, it simply reallocates the WACOG from Schedule 150 to base rate Schedules.

Q. Do you agree with the Company's proposal?

A. No. The base rate is intended to reflect the Company's estimate of future costs, when this is more accurate customers experience less extreme volatility in PGA adjustments. Given current market volatility and the recent decline in commodity prices, I propose maintaining the current natural gas costs included in base rates.

Q. Have you proposed an adjustment to the net WACOG included in Schedule 150 that offsets the increase you have proposed in base rates?

A. Yes. I propose to offset the base rate increase recommended by Staff in this case by adjusting the commodity portion of the WACOG to $.76047/therm instead of the current commodity portion of the WACOG of $.78646/therm. For Schedules 101 and 111/112, the total cost of gas would be $.85414/therm instead of $.88013/therm. For Schedules 131/132, the total cost of gas would be $.76047/therm instead of $.78646/therm.

Q. How have you proposed to adjust the Schedule 150 Weighted Average Cost of Gas (WACOG) component to offset the base rate increase proposed by Staff?

A. I propose adjusting the WACOG to a level that offsets the Schedule 101 increase customers receive in base rates given the proposal by Staff from the Cost of Service Study. According to the Cost of Service Study, the Company would receive approximately $1,460,034 in revenue by increasing base rates to Schedule 101 (General Service) customers. The corresponding WACOG decline in order to offset the revenue increase in base rates is approximately 3.0% or $.02599/therm. This adjustment in the WACOG maintains current Schedule 101 billing rates by decreasing the billing rates for Schedules 111/112 (Large General Service), and 131/132 (Interruptible Service). Schedule 146 (Transportation Service) would not be impacted by the change in the WACOG and would receive the increase in base rates dictated by Staff's proposal from the Customer Cost of Service Study.

Q. Why is it reasonable to adjust the WACOG in order to offset the Schedule 101 base rate increase proposed by Staff?

A. This year, wholesale prices have continued to drop well below the WACOG currently embedded in rates. The more expensive storage gas purchased by the Company at last summer's high price levels has been sold and the Company is beginning to purchase natural gas at lower, favorable prices for the coming year, both for injection into underground storage and at hedged forward prices for delivery throughout the year.

In order to prevent the Company from over collecting from customers in its Schedule 155 Purchased Gas Adjustment Account and having to refund customers through a credit in November, Staff views it appropriate to adjust the WACOG now through Schedule 150. The base rate revenue requirement increase proposed by Staff is small. Therefore, the resulting offset in the WACOG is minor and would only preemptively adjust the WACOG to a level Staff views will be inevitably lower in the fall when the Company comes in for its annual PGA filing. By adjusting the WACOG now through Schedule 150, the Company can eliminate unnecessary fluctuations in the retail prices customers pay, prevent a growing deferral account balance that will be credited to customers in Schedule 155 later, and collect the revenue requirement proposed by Staff in base rates.

Q. How will your proposal to adjust the WACOG through Schedule 150 affect Schedule 146 (Transportation Service) customers?

A. This adjustment will not impact Schedule 146 customers. Schedule 146 customers take transportation service at the distribution level and purchase their own natural gas and interstate pipeline transportation. To the extent these customers have hedged their natural gas purchases; they are beginning to see price level reductions. If they have not hedged their natural gas purchases they have already seen price level reductions and will continue to do so. Therefore, it is Staff's proposal to determine

Schedule 146 customer rates based on the Cost of Service results from Staff's adjusted revenue requirement.

Q. Has Staff been tracking the Schedule 155 Purchased Gas Adjustment Accounts in the PGA monthly reports submitted by the Company in compliance with Order No. 30646?

A. Yes. According to the Company's most recent May 4th PGA report which shows a snapshot of this year's account balances up until March 31st, the total balance owed to customers through a credit is $6,463,503. Since the Company's January 6th amortization rate went into effect, the current credit balance due to customers from last year's PGA period is $3,577,048. Based on this year's costs since October 1st, the amount that will be credited to customers in the next PGA is $2,886,455. Since the amortization rate is not dropping the deferral balance as quickly as its growing, it is Staff's view that there will be a substantial credit due to customers in the fall since this year's market prices have dropped significantly from where the Company anticipated natural gas prices to be in this year's WACOG.

Q. Are you aware of the Company's filing on May 14, 2009 to adjust the amortization rate(s) in Schedule 155 to refund additional deferred amounts accumulated since November 2008 (December-April) to customers over a 12-month period?

A. Yes.

Q. Does this change your recommendation in this case?

A. No. My adjustment is to the WACOG in Schedule 150 not the amortization rate(s) in Schedule 155.

**Rate Design**

Q. What are Staff's objectives in evaluating rate design?

A. Staff's objectives are that base rates recover the revenue requirement of each customer class given the class revenue requirement recommendations shown in Staff Exhibit 120; send an appropriate cost based price signal to customers encouraging the wise and efficient use of energy; provide rate stability and avoid unnecessary complexity or changes.

Q. Do you have an exhibit illustrating your rate proposals?

A. Yes. These are shown on Staff Exhibit No. 121.

**Schedule 101 (General Service)**

Q. What rate design does Company witness Hirschkorn recommend for Schedule 101?

A. Without including the percentage increase associated with the Company's proposal to shift some of the Schedule 150 commodity costs into the energy charge base rate, the Company is proposing to increase the Energy Charges by 2.9% per therm. The Company is proposing an overall increase in the Basic/Customer Charge of 6.3% or $.2500 per month.

Q. Do you agree with the Company's proposed rate design changes?

A. No. I agree with the Energy Charge changes as adjusted for Staff's proposal to maintain the current cost of gas in base rates, given the base rate class cost of service revenue requirement increase of 2.9%, and as adjusted for the WACOG decrease of approximately 3.0%. However, I do not agree with the increase in the monthly Basic/Customer Charge. I recommend that the customer charge for this class remain unchanged.

Staff has maintained the position that the Basic/Customer Charge should collect meter reading and billing fixed costs. With the Basic/Customer Charge at current levels, the Company is collecting more than meter reading and billing costs.

In addition, the Company is proposing to increase the Basic/Customer Charge by 6.3% while the proposed base rate increase to the class without including the proposal to shift some of the Schedule 150 commodity costs is 3.1%. This increase is disproportionate and unnecessary given the small increase in class revenue requirement, and the decrease in the WACOG proposed by Staff.

**Schedule 111/112 (Large General Service)**

Q. What rate design does Company witness Hirschkorn recommend for Schedule 111/112?

A. Without including the percentage increase associated with the Company's proposal to shift some of the Schedule 150 commodity costs into the energy charge base rate, the Company is proposing to increase the Energy Charges for the first tier by 3.0% and increase the remaining three tiers by a uniform 2.5%. The Company is proposing an overall increase in the Minimum Charge of 4.2% or $7.00 per month.

Q. Do you agree with the Company's proposed rate design changes?

A. Yes. I agree with the Energy Charge and Minimum Charge increase as adjusted for Staff's proposal to maintain the current cost of gas in base rates, given the class cost of service base rate revenue requirement increase of 3.0%, and as adjusted for the WACOG decrease of approximately 3.0%.

Q. When designing rates has Staff considered the Company's concern that changing the breakeven relationship, or the level of usage where the bill for Schedule 101 is equivalent to the bill for Schedule 111, could result in unnecessary shifting of customers between the Schedules?

A. Yes. However, one preventative solution the

Company could take to address the concern of unnecessary customer shifting between Schedule 101 and Schedule 111 would be to designate Schedule 101 as a "Residential General Service" schedule similar to the other natural gas provider in the State. Staff views this solution as a reasonable way to divide residential and commercial use customers.

**Schedule 131/132 (Interruptible Service)**

Q. What rate design does Company witness Hirschkorn recommend for Schedule 131/132?

A. Without including the percentage increase associated with the Company's proposal to shift some of the Schedule 150 commodity costs into the energy charge base rate, the Company is proposing to increase the Energy Charges by 1.7%. The Company is proposing an overall increase in the Annual Minimum Deficiency Charge of 10.6% or 1.598 cents per therm.

Q. Do you agree with the Company's proposed rate design changes?

A. Yes. I agree with the Energy Charge and Annual Minimum Deficiency Charge increase as adjusted for Staff's proposal to maintain the current cost of gas in base rates, given the base rate class cost of service revenue requirement increase of 2.0%, and as adjusted for the WACOG decrease of approximately 3.0%.

**Schedule 146 (Transportation Service)**

Q. What rate design does Company witness Hirschkorn recommend for Schedule 146?

A. The Company is proposing to increase the Energy Charges by 11.3%, and increase the Annual Minimum Usage by 3,128 therms.

Q. Do you agree with the Company's proposed rate design changes?

A. Yes. I agree with the Energy Charge and Minimum Usage increase as adjusted for Staff's proposed base rate class cost of service revenue requirement of 2.8%.

Q. Is it possible to make a comparison between the Schedule 146 base rate increase and the other Schedules?

A. No. Schedule 146 is not comparable to the other Schedules because it is a distribution transportation Schedule. Schedule 146 does not include the cost of gas or interstate pipeline transportation, whereas the other sales service schedules do. These customers have third party marketer obligations, fees, and inherent risks of managing their purchasing strategies in a fluctuating natural gas market. These variables make it impossible to qualify, quantify, or compare a rate increase to the increases of the other Schedules.

Q. Does this conclude your direct testimony in this proceeding?

A. Yes, it does.

**AVISTA UTILITIES**
**STAFF CASE**
**IDAHO GAS, CASE NO. AVU-G-09-01**
**REVENUE INCREASE BY SERVICE SCHEDULE**
**12 MONTHS ENDED SEPTEMBER 30, 2008**
**(000s of Dollars)**

| Line No. | Type of Service (a) | Schedule Number (b) | Staff Revenue Under Present Rates (c) | Staff Revenue Under Proposed Rates (d) | Staff Revenue Proposed Increase (e) | Staff Revenue Proposed % Increase (f) | Staff Revenue Off-Setting WACOG Adj. (g) |
|---|---|---|---|---|---|---|---|
| 1 | General Service | 101 | $51,229 | $52,689 | $1,460 | 2.9% | ($1,460) |
| 2 | Large General Service | 111 | $13,833 | $14,253 | $420 | 3.0% | ($487) |
| 3 | Interruptible Service | 131 | $254 | $259 | $5 | 2.0% | ($11) |
| 4 | Transportation Service | 146 | $320 | $329 | $9 | 2.8% | $0 |
| 5 | Special Contracts | 147/159 | $111 | $111 | $0 | 0.0% | $0 |
| 6 | Total | | $65,747 | $67,641 | $1,894 | 2.88% | ($1,957) |
| 7 | Total (Not Including 147/159) | | $65,636 | $67,530 | $1,894 | 2.89% | ($1,957) |

Exhibit No. 120
Case No. AVU-E-09-1
AVU-G-09-1
M. Elam, Staff
05/29/09

**AVISTA UTILITIES**
**STAFF CASE**
**IDAHO GAS, CASE NO. AVU-G-09-01**
**PRESENT AND PROPOSED RATE COMPONENTS BY SCHEDULE**

| Line No. | Type of Service (a) | Present Base Rate (b) | Company Proposed Present Base Rate(1) (c) | Company Proposed General Rate Inc./Dec. (d) | Company Proposed Base Rate(1) (e) | Staff Proposed Base Rate (f) | Staff Proposed General Rate Inc./Dec. (g) | Staff Proposed WACOG Adjustment (h) | Staff Proposed Base Rate (i) | Staff Proposed Overall Rate Inc./Dec. (j) |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 | **General Service - Schedule 101** | | | | | | | | | |
| 2 | Basic Charge | $4.00 | $4.00 | $0.25 | $4.25 | $4.00 | $0.00 | | $4.00 | |
| 3 | Usage Charge: | | | | | | | | | |
| 4 | All therms | $0.85153 | $1.19854 | $0.03512 | $1.23366 | $0.87752 | $0.02599 | ($0.02599) | $0.85153 | $0.00000 |
| 5 | **Large General Service - Schedule 111** | | | | | | | | | |
| 6 | Usage Charge: | | | | | | | | | |
| 7 | First 200 therms | $0.83762 | $1.18463 | $0.03499 | $1.21962 | $0.86255 | $0.02493 | ($0.02599) | $0.83656 | ($0.00106) |
| 8 | 200 - 1,000 therms | $0.77584 | $1.12285 | $0.02759 | $1.15044 | $0.79945 | $0.02361 | ($0.02599) | $0.77346 | ($0.00238) |
| 9 | 1,000 - 10,000 therms | $0.70278 | $1.04979 | $0.02579 | $1.07558 | $0.72417 | $0.02139 | ($0.02599) | $0.69818 | ($0.00460) |
| 10 | All over 10,000 therms | $0.66278 | $1.00979 | $0.02481 | $1.03460 | $0.68295 | $0.02017 | ($0.02599) | $0.65696 | ($0.00582) |
| 11 | Minimum Charge: | | | | | | | | | |
| 12 | per month | $167.52 | $167.52 | $7.00 | $174.52 | $172.51 | $0.0000 | | $172.51 | $4.99008 |
| 13 | per therm | | $0.34701 | ($0.05894) | $0.28807 | $0.0000 | $0.0000 | | $0.0000 | |
| 14 | **Interruptible Service - Schedule 131** | | | | | | | | | |
| 15 | Usage Charge: | | | | | | | | | |
| 16 | All Therms | $0.60082 | $0.93739 | $0.01598 | $0.95337 | $0.61284 | $0.01202 | ($0.02599) | $0.58685 | ($0.01397) |
| 17 | Deficiency Charge | $15.093 | $15.093 | $1.598 | $16.691 | $16.295 | $1.202 | | $16.295 | $1.20200 |
| 18 | **Transportation Service - Schedule 146** | | | | | | | | | |
| 19 | Basic Charge | $200.00 | $200.00 | $0.00000 | $200.00 | $200.00 | $0.00000 | $0.00000 | $200.00 | $0.00000 |
| 20 | Usage Charge: | | | | | | | | | |
| 21 | All Therms | $0.11062 | $0.11062 | $0.01251 | $0.12313 | $0.11381 | $0.00319 | $0.00000 | $0.11381 | $0.00319 |
| | Annual Minimum Therms | 30,055 | | 3,128 | 33,183 | 30,853 | 798 | | 30,853 | |

(1) Includes the Company's proposal to shift some of the Schedule 150 commodity costs into base rates.
(.34701/therm to Schedules 101, 111, 112 & .33657/therm to Schedules 131, 132)

Exhibit No. 121
Case No. AVU-E-09-1
AVU-G-09-1
M. Elam, Staff
05/29/09

**AVISTA UTILITIES**
**STAFF CASE**
**IDAHO GAS, CASE NO. AVU-G-09-01**
**COST OF SERVICE INCREASE COMPARISON BY SERVICE SCHEDULE**
**12 MONTHS ENDED SEPTEMBER 30, 2008**
**(000s of Dollars)**

| Line No. | Type of Service (a) | Schedule Number (b) | Company Return Ratio Before Increase (c) | Company Return Ratio After Increase (d) | Company Revenue Changes (1) (e) | Staff Return Ratio Before Increase (f) | Staff Return Ratio After Increase (g) | Staff Revenue Changes(1) (h) |
|---|---|---|---|---|---|---|---|---|
| 1 | General Service | 101 | 1.02 | 1.01 | 4.3% | 1.01 | 1.00 | 2.9% |
| 2 | Large General Service | 111 | 0.91 | 0.95 | 3.7% | 0.91 | 0.97 | 3.0% |
| 3 | Interruptible Service | 131 | 1.08 | 1.05 | 2.7% | 1.09 | 1.08 | 2.0% |
| 4 | Transportation Service | 146 | 1.28 | 1.29 | 10.9% | 1.29 | 1.17 | 2.8% |
| 5 | Total | | 1.00 | 1.00 | 4.17% | 1.00 | 1.00 | 2.89% |

(1) Excludes the Company's proposal to shift some of the Schedule 150 commodity costs into base rates.
(.34701/therm to Schedules 101, 111, 112 & .33657/therm to Schedules 131, 132)

Exhibit No. 122
Case No. AVU-E-09-1
AVU-G-09-1
M. Elam, Staff
05/29/09

**AVISTA UTILITIES**
**IDAHO GAS, CASE NO. AVU-G-09-01**
**PRESENT BILLING RATE COMPONENTS BY SCHEDULE**

| Line No. | Type of Service (a) | Present Base Rate (b) | Present Other Base Rate (c) | Present Gas Costs in Base Rate (1) (d) | Present Schedule 150 Rate (1) (e) | Present Schedule 191 Rate (f) | Present Schedule 155 Rate (g) | Present Billing Rate (h) |
|---|---|---|---|---|---|---|---|---|
| 1 | **General Service - Schedule 101** | | | | | | | |
| 2 | Basic Charge | $4.00 | | | | | | |
| 3 | Usage Charge: | | | | | | | |
| 4 | All therms | $0.85153 | $0.31841 | $0.53312 | 0.34701 | 0.02063 | -0.07711 | $1.99359 |
| 5 | **Large General Service - Schedule 111** | | | | | | | |
| 6 | Usage Charge: | | | | | | | |
| 7 | First 200 therms | $0.83762 | $0.30450 | $0.53312 | 0.34701 | 0.01817 | -0.07711 | $1.96331 |
| 8 | 200 - 1,000 therms | $0.77584 | $0.24272 | $0.53312 | 0.34701 | 0.01817 | -0.07711 | $1.83975 |
| 9 | 1,000 - 10,000 therms | $0.70278 | $0.16966 | $0.53312 | 0.34701 | 0.01817 | -0.07711 | $1.69363 |
| 10 | All over 10,000 therms | $0.66278 | $0.12966 | $0.53312 | 0.34701 | 0.01817 | -0.07711 | $1.61363 |
| 11 | Minimum Charge: | | | | | | | |
| 12 | per month | $167.52 | | | | | | |
| 13 | per therm | | | | | | | |
| 14 | **Interruptible Service - Schedule 131** | | | | | | | |
| 15 | Usage Charge: | | | | | | | |
| 16 | All Therms | $0.60082 | $0.15093 | $0.44989 | 0.33657 | 0.01523 | -0.06574 | $1.48770 |
| 17 | Deficiency Charge | $15.093 | | | | | | |

(1) The summation of columns (d) and (e) make up the total gas costs.

Exhibit No. 123
Case No. AVU-E-09-1
AVU-G-09-1
M. Elam, Staff
05/29/09

## CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 29TH DAY OF MAY 2009, SERVED THE FOREGOING **DIRECT TESTIMONY OF MATT ELAM**, IN CASE NOS. AVU-E-09-1 & AVU-G-09-1, BY ELECTRONIC MAIL TO THE FOLLOWING:

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