

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION)	
OF AVISTA CORPORATION DBA AVISTA)	CASE NOS. AVU-E-11-01
UTILITIES FOR AUTHORITY TO)	AVU-G-11-01
INCREASE ITS RATES AND CHARGES FOR)	
ELECTRIC AND NATURAL GAS SERVICE)	NOTICE OF
IN IDAHO)	PROPOSED SETTLEMENT
)	
)	NOTICE OF PUBLIC AND
)	TECHNICAL HEARINGS
)	
)	ORDER NO. 32348

On July 5, 2011, Avista Corporation dba Avista Utilities filed an Application seeking authority to increase the Company's general rates for electric and natural gas service in Idaho by averages of 3.7% and 2.7%, respectively. The Company requested an effective date of August 5, 2011, but the Commission suspended the proposed effective date for a period of thirty days plus five months, as authorized by *Idaho Code* § 61-622, or until such time as the Commission enters an Order on the Company's Application. Order No. 32292. Petitions to Intervene, all of which were granted, were filed by Clearwater Paper Corporation; Idaho Forest Group, LLC; Community Action Partnership Association of Idaho (CAPAI); and the Idaho Conservation League (ICL). The Commission Staff also participated as a party.

The parties scheduled a settlement conference in this matter on August 17, 2011. All parties attended and participated in the settlement conference, and the parties subsequently agreed to resolve and settle all issues raised in this proceeding. On August 26, 2011, the parties filed a Motion to Approve the Settlement Stipulation. The Commission is not bound by any settlement reached by the parties, although the parties represent that the settlement is in the public interest and that all its terms and conditions are fair, just and reasonable.

NOTICE OF PROPOSED SETTLEMENT

The settlement provides that annual revenues for Avista's electric and natural gas service may increase by \$2.8 million (1.1%) and \$1.1 million (1.6%), respectively, effective October 1, 2011. By separate filings not a part of the Settlement Agreement, several other rate adjustments are proposed to also take effect on October 1, 2011. With respect to electric service, these

proposed adjustments include the following: an increase of \$2.2 million for residential exchange credits for residential and small farm customers (Schedule 59); a decrease of \$15.5 million in Schedule 66 Power Cost Adjustment (PCA) rates. In addition, an increase of \$8.7 million for the previously-approved adjustment for deferred state income taxes (DSIT) in Schedule 99, as part of the Settlement approved in Case Nos. AVU-E-10-01 and AVU-G-10-01 will take effect on October 1, 2011. After taking into account the settlement-proposed increase of \$2.8 million in electric general rate revenues, the net overall reduction resulting from all of the proposed aforementioned adjustments, if approved as filed would total approximately \$6.2 million. The following table summarizes these proposed revenue adjustments:

Electric – October 1, 2011 Revenue Change	
Schedule 99 – DSIT Increase	\$ 8,698,844
Schedule 59 – Residential Exchange	\$ (2,207,088)
Schedule 66 – PCA Decrease	\$(15,517,483)
GRC Rate Increase	<u>\$ 2,800,000</u>
Total Revenue Change	\$ (6,225,757)

With respect to natural gas service, the following rate adjustments, by means of separate filings, are proposed to take effect on October 1, 2011: an increase of \$0.8 million in Schedules 150/155 for Purchased Gas Costs (PGA); a decrease of \$2.9 million in demand-side management (DSM) tariff rider Schedule 191. In addition, an increase of \$0.5 million for the previously-approved adjustment for deferred state income taxes (DSIT) in Schedule 199, as part of the Settlement approved in Case Nos. AVU-E-10-01 and AVU-G-10-01 will take effect on October 1, 2011. After taking into account the settlement-proposed increase of \$1.1 million in natural gas general rate revenues, the net overall decrease resulting from all of the proposed aforementioned adjustments, if approved as filed, would be \$0.525 million. The following table summarizes these proposed revenue adjustments:

Natural Gas – October 1, 2011 Revenue Change	
Schedule 199 – DSIT Increase	\$ 470,423
Schedule 150/155 – PGA Increase	\$ 776,190
Schedule 191 – DSM Decrease	\$(2,871,236)
GRC Rate Increase	<u>\$ 1,100,000</u>
Total Revenue Change	\$ (524,623)

Limitation on Effective Date of Any New Rates Established By Subsequent General Rate Filing. As part of the Settlement, the Company agrees that it will not seek to make effective a change in base electric or natural gas rates prior to April 1, 2013, by means of a general rate filing. (Any filing of a general rate case prior to April 1, 2013, may not request an effective date prior to April 1, 2013.) This will not prevent the Company, however, from otherwise seeking to implement other rate changes affecting the rates billed to customers, including, but not limited to, adjustments under the power cost adjustment (PC A) mechanism, purchased gas cost adjustments (PGA); DSM tariff rider adjustments; etc.

Cost of Service. As part of this rate case, the Company prepared an analysis of a peak credit method of classifying production costs, allocating 100% of transmission costs to demand, and allocating transmission costs to reflect any peak and off-peak seasonal cost differences on a weighted 12-month basis. The Parties have agreed to exchange information and convene a public workshop, prior to the Company's next general rate case, with respect to the method of allocation of demand and energy among the customer classes, such as the possible use of a revised peak credit method for classifying production costs, as well as consideration of the use of a 12 Coincident Peak (CP) (whether "weighted" or not) versus a 7 CP or other method for allocating transmission costs. This workshop will also address the merits of inclining or declining block rates for service schedules 11, 21, 25 and 31.

Rate Spread/Rate Design. The Parties agree that the increase in base revenue would be spread to all electric and natural gas rate schedules on a uniform percentage basis. The Settlement provides that the current residential electric basic charge of \$5.00 per month will be increased to \$5.25, and the residential natural gas basic charge of \$4.00 per month will be increased to \$4.25. The following tables reflect the agreed-upon percentage increase by schedule for electric and natural gas service:

Electric Increase Percentage by Schedule

Rate Schedule	Increase in Base Rates	Net Increase in Billing Rates*
Residential Schedule 1	1.1%	-2.1%
General Service Schedule 11/12	1.1%	-1.1%
Large General Service Schedule 21/22	1.1%	-1.4%
Extra Large General Service Schedule 25	1.1%	-3.9%
Clearwater Paper Schedule 25P	1.1%	-5.2%
Pumping Service Schedule 31/31	1.1%	0.0%
Street & Area Lights Schedules	1.1%	2.7%
Overall	1.1%	-2.4%

* Net increase includes the effects of the proposed changes in Schedule 59 (Residential Exchange), Schedule 66 (Power Cost Adjustment), Schedule 99 (Deferred State Income Tax) and the General Rate Increase, all effective on October 1, 2011, if approved.

Natural Gas Increase Percentage by Schedule

Rate Schedule	Increase in Base Rates	Net Increase in Billing Rates**
General Service Schedule 101	1.6%	-0.5%
Large General Service Schedules 111/112	1.6%	-1.8%
Interruptible Sales Schedules 131/132	1.6%	-10.6%
Transportation Service Schedule 146	1.6%	3.0%
Overall	1.6%	-0.8%

** Net Increase includes the effects of the proposed changes in Schedule 150/155 (PGA), Schedule 191 (Energy Efficiency Rider), Schedule 199 (Deferred State

Income Tax) and the General Rate Increase, effective on October 1, 2011, if approved.

Customer Service-Related Issues. (a) Funding for Outreach for Low-Income Conservation. The Parties agree to annual funding of \$50,000 for purposes of providing low-income outreach and education concerning conservation (representing an increase of \$10,000 from previous funding levels). This amount will be funded through the Energy Efficiency Tariff Rider (Schedules 91 and 191), and will be in addition to the \$700,000 of Low-Income Weatherization funding currently in place.

(b) Collaboration on Low-Income Weatherization. The Company and interested parties will meet and confer prior to the Company's next general rate filing in order to assess the Low Income Weatherization and Low Income Energy Conservation Education Programs and discuss appropriate levels of low-income weatherization funding in the future.

NOTICE OF PUBLIC HEARING AND TECHNICAL HEARING

YOU ARE HEREBY NOTIFIED that the deadline for filing direct testimony in support or opposition to the proposed settlement is September 9, 2011. The parties shall serve their testimony on each other via e-mail. Testimony and exhibits filed in this case must conform to Rules 230 and 231, IDAPA 31.01.01.230 and 231. Parties shall file an original and nine (9) paper copies of testimony with the Commission Secretary on the date documents are due.

YOU ARE FURTHER NOTIFIED that the public hearing in this matter will convene on **TUESDAY, SEPTEMBER 13, 2011, AT 7:00 P.M. (PST) IN THE DRIFTWOOD BAY ROOM AT THE STUDENT UNION BUILDING, NORTH IDAHO COLLEGE, 1000 WEST GARDEN AVENUE, COEUR D'ALENE, IDAHO.** The purpose of the public hearing will be for the Commission to take the formal testimony of customers and interested members of the public. Testimony will be recorded and made part of the Commission's formal record for decision in this matter. The Company's customers and any other interested members of the public are encouraged to attend and give testimony.

YOU ARE FURTHER NOTIFIED that the technical hearing in this matter will convene on **TUESDAY, SEPTEMBER 13, 2011, AT (APPROXIMATELY) 7:30 P.M. (PST) IN THE DRIFTWOOD BAY ROOM AT THE STUDENT UNION BUILDING, NORTH IDAHO COLLEGE, 1000 WEST GARDEN AVENUE, COEUR D'ALENE, IDAHO.** All parties intending to offer testimony in this matter shall present their testimony at the technical hearing in Coeur d'Alene.

YOU ARE FURTHER NOTIFIED that the Settlement Stipulation together with its accompanying Motion and attachments can be viewed at the Commission's office in Boise, Idaho. The Settlement Stipulation is also available for viewing on the Commission's web site at www.puc.idaho.gov by clicking on "File Room" and then "Electric Cases."

YOU ARE FURTHER NOTIFIED that the Commission is not bound by any settlement reached by the parties. The Commission will independently review any settlement proposed to determine whether the settlement is just, fair and reasonable, and in the public interest, or otherwise in accordance with law or regulatory policy. The Commission may accept the settlement, reject the settlement, or state additional conditions under which the settlement will be accepted. IDAPA 31.01.01.274-.276.

YOU ARE FURTHER NOTIFIED that written public comments concerning the proposed settlement be served upon the Commission and Avista at the following addresses:

Commission Secretary
Idaho Public Utilities Commission
PO Box 83720
Boise, ID 83720-0074

Street Address for Express Mail:

472 W. Washington Street
Boise, ID 83702-5918

Kelly Norwood, Vice President
State & Federal Regulation
Avista Utilities
PO Box 3727
1411 East Mission Avenue
Spokane, WA 99220-3727
E-mail: kelly.norwood@avistacorp.com

David J. Meyer
Vice President & Chief Counsel
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1411 East Mission Avenue
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These comments should contain the case caption and case number shown on the first page of this document. Persons desiring to submit comments via e-mail may do so by accessing the Commission's home page located at www.puc.idaho.gov. Click the "Comments and Questions" icon and complete the comment form using the case number as it appears on the front of this document. These comments must also be sent to Avista at the e-mail addresses listed above.

YOU ARE FURTHER NOTIFIED that all hearings and prehearing conferences in this matter will be held in facilities meeting the accessibility requirements of the Americans with

Disabilities Act (ADA). Persons needing the help of a sign language interpreter or other assistance in order to participate in or to understand testimony and argument at a public hearing may ask the Commission to provide a sign language interpreter or other assistance at the hearing. The request for assistance must be received at least five (5) working days before the hearing by contacting the Commission Secretary at:


IDAHO PUBLIC UTILITIES COMMISSION
PO BOX 83710
BOISE, IDAHO 83720-0074
(208) 334-0338 (Telephone)
(208) 334-3762 (FAX)
Email: secretary@puc.idaho.gov

YOU ARE FURTHER NOTIFIED that all proceedings in this matter will be conducted pursuant to the Commission's Rules of Procedure, IDAPA 31.01.01.000 *et seq.*

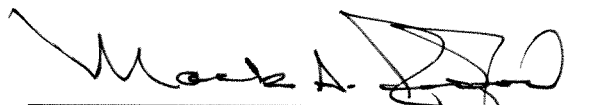
ORDER

IT IS HEREBY ORDERED that the public hearing and the technical hearing in this case are scheduled for September 13, 2011, in Coeur d'Alene, Idaho.

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 31st
day of August 2011.



PAUL KJELLANDER, PRESIDENT

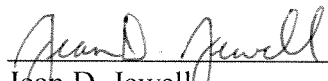


MACK A. REDFORD, COMMISSIONER



MARSHA H. SMITH, COMMISSIONER

ATTEST:



Jean D. Jewell
Commission Secretary

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