

**BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

**DOCKET NO. UE-08 \_\_\_\_\_**

**DOCKET NO. UG-08 \_\_\_\_\_**

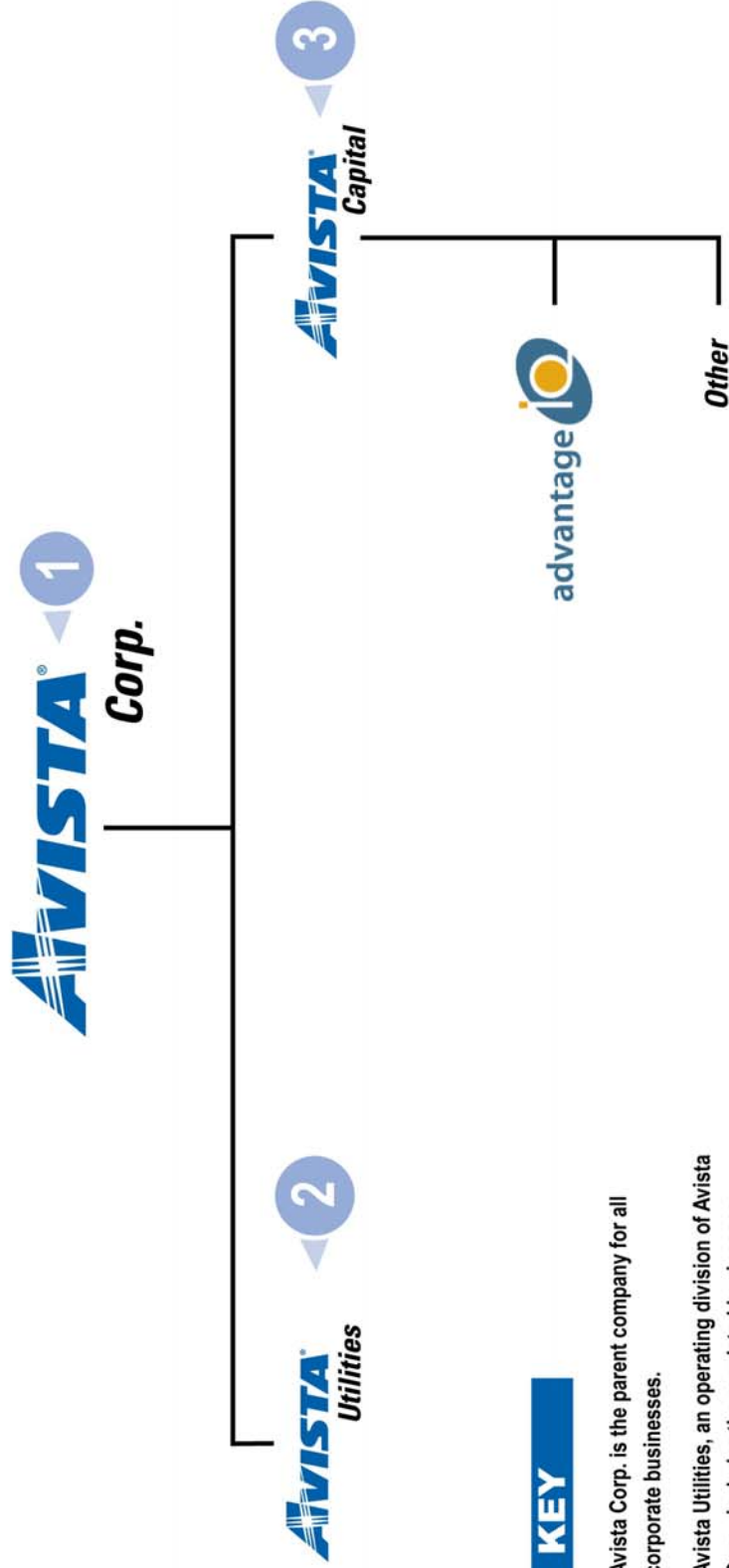
**EXHIBIT NO.\_\_\_\_\_(SLM-2)**

**SCOTT L. MORRIS**

**REPRESENTING AVISTA CORPORATION**

# Avista Corporation Overview

## Avista Corporate Business Organizational Structure

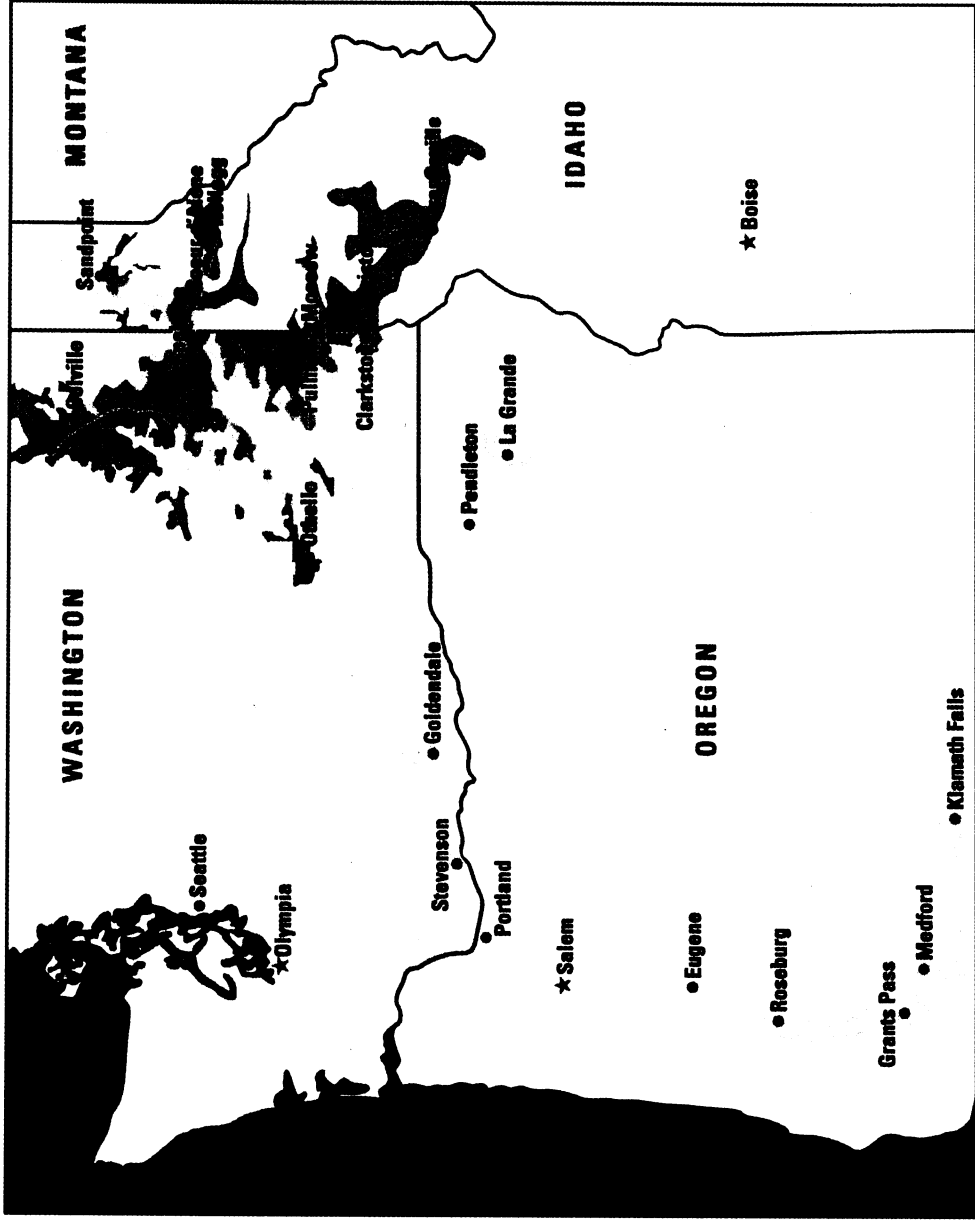


### KEY




- 1 ▶ Avista Corp. is the parent company for all corporate businesses.
- 2 ▶ Avista Utilities, an operating division of Avista Corp., includes the regulated businesses, serving customers in Washington, Idaho, and Oregon.
- 3 ▶ Avista Capital is the parent company of all non-regulated subsidiaries. Avista Capital is a wholly owned subsidiary of Avista Corp.

# MAP

## Avista's electric and natural gas service areas



**Legend**

-  Electric Service Areas
-  Natural Gas Service Areas
-  Electric and Natural Gas Service Areas

**Avista Utilities Service Territory**

Data as of December 31, 2004

**Retail Electric Customers by State**

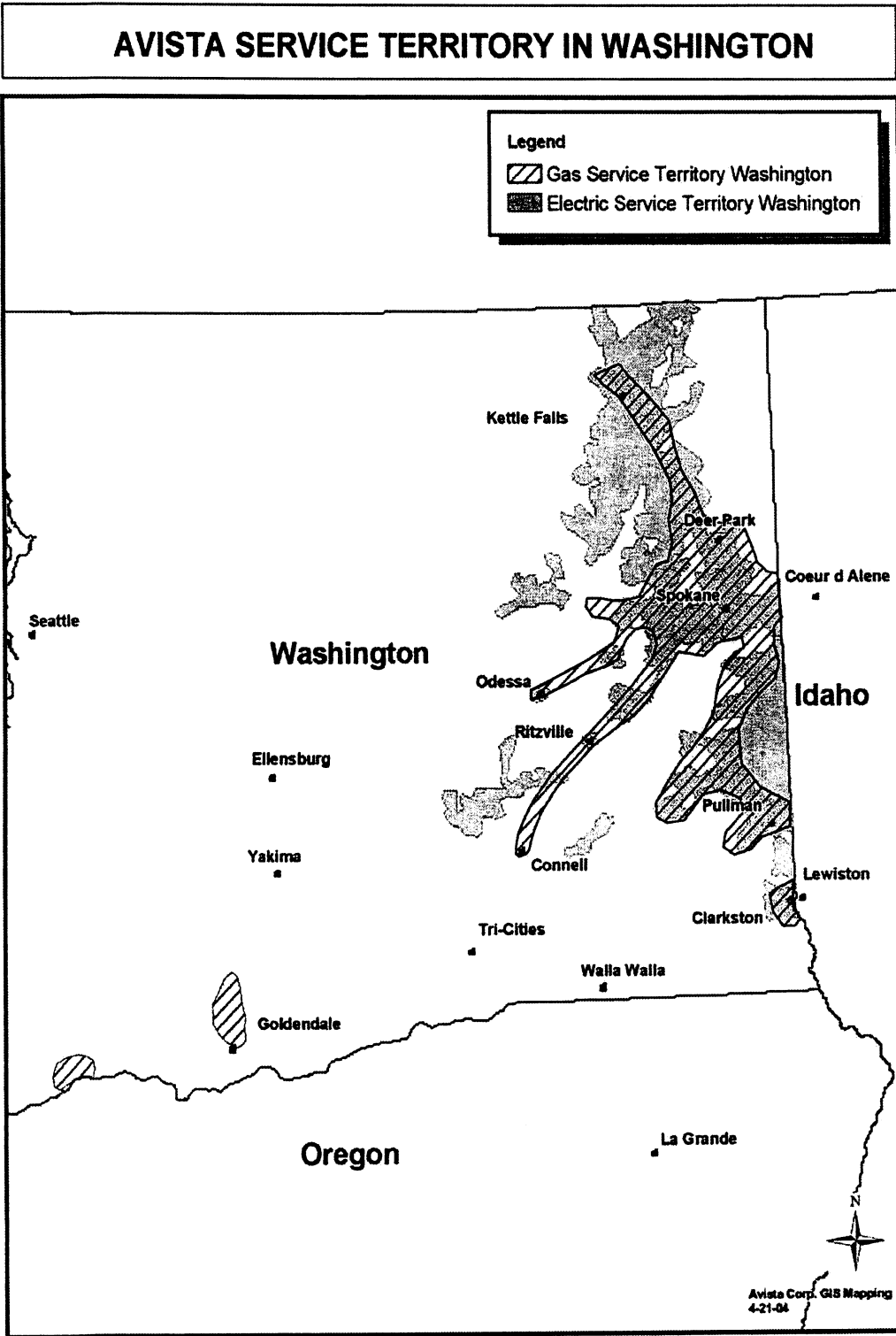
Washington ..... 220,000  
 Idaho ..... 113,000

**Total Retail Electric Customers**..... 333,000

**Retail Natural Gas Customers**

by State  
 Washington ..... 135,000  
 Idaho ..... 66,000  
 Oregon ..... 90,000

**Total Retail Natural Gas Customers**..... 281,000



**Customer Usage  
Washington Electric & Gas  
December 31, 2007**

<b>Electric</b>			<b>kwh</b>	
	<b>Schedule</b>	<b>No. of Customers</b>	<b>(000s)</b>	<b>% of Total kwh</b>
	Residential Sch. 1	198,624	2,380,357	43.4%
	General Sch. 11&12	26,770	419,242	7.6%
	Lge. General Sch. 21&22	3,296	1,580,537	28.8%
	Ex. Lge. General Sch. 25	22	941,790	17.2%
	Pumping Sch. 31&32	2,286	134,010	2.4%
	Street & Area Lights	302	26,567	0.5%
		<b>231,300</b>	<b>5,482,503</b>	<b>100%</b>

<b>Gas</b>			<b>Therms</b>	
	<b>Schedule</b>	<b>No. of Customers</b>	<b>(000s)</b>	<b>% of Total Therms</b>
	General Service 101	141,242	115,584	48%
	Lg. General Service 111/112	2,252	48,334	20%
	Ex. Lg. Gen. Service 121/122	30	6,933	3%
	Interruptible Service 131/132	1	643	0%
	Transportation Service 146	29	26,838	11%
	Banded-Rate Transport. 148	5	41,772	17%
		<b>143,559</b>	<b>240,104</b>	<b>100.00%</b>

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**SCOTT L. MORRIS**

**REPRESENTING AVISTA CORPORATION**

## There is a reason your Avista bill shocks you

By Elaine Williams  
The Lewiston Tribune  
Jan. 13, 2008

My Avista bill for December was so high I wondered if I had accidentally forgotten to pay the utility company in November.

It cost \$200 for electricity and gas in an 1,800-square-foot house. I reacted this way even though I wrote three stories that ran two days before Christmas explaining why electricity and gas rates in north central Idaho and southeastern Washington had increased and were unlikely to fall significantly anytime soon.

In case you missed them, the summary of those articles goes like this: The average monthly electricity bill for an Idaho Avista residential customer has climbed from \$47.07 in 2000 to \$70.41 in 2007. The monthly gas bill for that customer has increased from \$43.60 to \$75.14 in the same time period.

Avista's customers in Washington have seen similar changes with the average household paying \$64.37 per month in 2007 for electricity compared to \$44.82 in 2000 and \$83.67 per month for gas compared to \$46.64.

Here's why. Avista is expanding its capacity to deliver gas and electricity to meet the needs of its customer base, which has grown by 40,000 since 2002.

Improvements are being made to existing Avista operations, such as boosting hydro generation from 554 to 582 megawatts at Noxon Rapids along the Clark Fork River in Montana. One megawatt is enough to power 650 homes.

Some options are off the table as Avista tries to keep pace with growth. State and federal environmental regulations along with public opinion make it unlikely that new dams will be constructed for hydropower. Emission standards in Washington essentially ban coal for electrical generation.

That leaves natural gas as one of the few viable choices for new electrical generation because it is relatively affordable and environmentally friendly. The biggest single share of Avista's new generation will come from the natural gas-fired plant near Rathdrum. Avista will have first rights to all of the electricity from the plant starting in 2010.

But natural gas prices have been rising too as more utilities turn to it for electrical generation. The natural gas pipelines from Canada that Avista uses once ended in the Northwest. Now some lines have been extended to the Midwest, putting additional pressure on prices.

At no time do consumers feel these conditions more keenly than in December and January. It's in those months that the weather is typically the coldest and building heat is normally the largest share of an Avista customer's bill.

Plus other factors are frequently at work in December. Families use more gas and electricity as they celebrate the holidays, decorating with lights, cooking more as they host guests and likely having the thermostat turned higher more hours in the day if they take vacation time.

The higher rates haven't turned Avista into a wealthy utility, said James Bellessa Jr., vice president of research with D.A. Davidson, an investment firm based in Great Falls, Mont.

The Washington State Utilities and Transportation Commission allows Avista to have a higher profit margin than it did in 2007, Bellessa said.

But that's difficult for utilities to achieve when they're investing in infrastructure like Avista is because of Washington's rules, Bellessa said. "Avista has some of the lowest utility rates in the nation so you don't have too much to squawk about."

Avista's customers might benefit from the utility charging more, Bellessa said. Healthy, financially strong utilities pay less to borrow money for investments in infrastructure - one of their biggest costs - and can pass those savings onto their customers.

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