

**BEFORE THE  
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

|                           |   |                           |
|---------------------------|---|---------------------------|
| WASHINGTON UTILITIES AND  | ) |                           |
| TRANSPORTATION COMMISSION | ) | DOCKET UE-110876          |
|                           | ) |                           |
| Complainant,              | ) | and                       |
|                           | ) |                           |
| v.                        | ) | DOCKET UG-110877          |
|                           | ) |                           |
| AVISTA CORPORATION d/b/a  | ) |                           |
| AVISTA UTILITIES          | ) | JOINT MOTION FOR AN ORDER |
|                           | ) | APPROVING SETTLEMENT      |
| Respondent.               | ) | STIPULATION               |
| .....                     | ) |                           |

Come now, Avista Corporation, (“Avista” or the “Company”), the Staff of the Washington Utilities and Transportation Commission (“Staff”), the Public Counsel Section of the Washington Office of Attorney General (“Public Counsel”), Northwest Industrial Gas Users (“NWIGU”), Industrial Customers of Northwest Utilities (“ICNU”), and The Energy Project, (hereinafter collectively referred to as the “Settling Parties”), and respectfully move the Commission for an Order approving the Settlement Stipulation filed herewith. This Joint Motion is based on the following:

1. On September 30, 2011, the Settling Parties filed with the Commission a Settlement Stipulation (attached as an appendix to this Joint Motion). This Settlement Stipulation, if approved, would resolve all issues, as among the Settling Parties, in these proceedings. The only remaining party is the NW Energy Coalition (the “Coalition”), who has indicated to the Settling Parties that they

wish to pursue the issue of electric decoupling in Docket UE-110876 through further litigation, but do not otherwise oppose the remaining terms of this Settlement Stipulation<sup>1</sup>.

2. Integral to the Settlement, as a negotiated element, is a proposed effective date for revised tariffs of January 1, 2012. It is the understanding of the Settling Parties that the Coalition, as the only party that did not sign the Stipulation, nevertheless does not oppose this implementation date.

3. By way of a separate Motion for Prehearing Conference filed on this date, the Settling Parties have requested to convene a prehearing conference to address the process and schedule by which the Commission will review the Settlement Agreement, the status of the full decoupling issue in this docket, and related procedural issues.

4. The Settling Parties do not otherwise propose to change the November 8 & 9, 2011 dates for hearing testimony from members of the general public.

5. For the reasons to be set forth in joint testimony in support of the Settlement, the Settling Parties request that the Settlement Stipulation be approved as a fair resolution of all issues, as being in the public interest, and without change or modification<sup>2</sup>.

6. In the event that the Commission should reject the Settlement Stipulation, or materially modify it in ways unacceptable to the Settling Parties, the Settling Parties request that a prehearing conference immediately be convened to establish a schedule for the litigation of unresolved matters in these dockets.

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<sup>1</sup> The Settlement Stipulation, under WAC 480-07-730, bears the indicia of both a “partial settlement” and a “multiparty settlement” as those terms are defined therein. Because the Coalition has indicated that they only want to preserve the issue of electric decoupling for further litigation in Docket UE-110876 and do not oppose the remaining terms of the Settlement (but are not willing to actually sign the Stipulation), the Settlement, in effect, is “partial” (*i.e.*, “agreement of all parties on some issues”) and “multiparty” (*i.e.*, “agreement of some, but not all, parties on one or more issues”).

<sup>2</sup> To the extent necessary, the Settling Parties request a waiver of the Commission’s rules on settlement procedures, in order to allow the filing of joint testimony in support thereof at a date subsequent to the actual filing of the Settlement itself. The Settling Parties are in need of additional time to prepare such materials. Such joint testimony will be filed on or before October 10, 2011.

Entered into this 30<sup>th</sup> day of September 2011

Company:

By:  \_\_\_\_\_  
David J. Meyer  
VP, Chief Counsel for Regulatory and Governmental  
Affairs

Staff:

By: \_\_\_\_\_  
Donald T. Trotter  
Assistant Attorney General

Public Counsel:

By: \_\_\_\_\_  
Sarah Shifley  
Assistant Attorney General

NWIGU:

By: \_\_\_\_\_  
Chad M. Stokes  
Cable Huston Benedict  
Haagensen & Lloyd LLP

ICNU:

By: \_\_\_\_\_  
Melinda Davison  
Davison Van Cleve, P.C.

The Energy Project:

By: \_\_\_\_\_  
Ronald Roseman  
Attorney at Law

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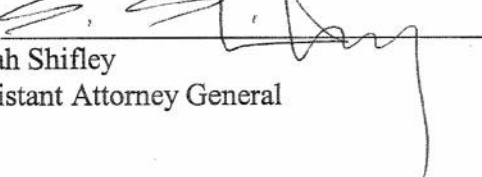
The Energy Project:

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Ronald Roseman  
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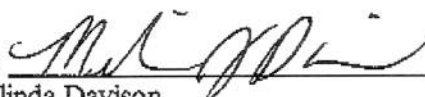
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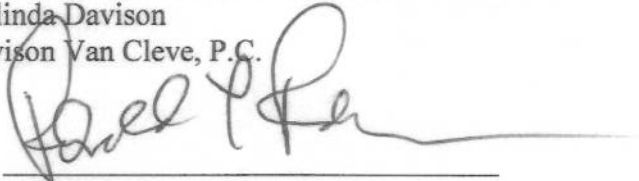
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ICNU:

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Melinda Davison  
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The Energy Project:

By:   
Ronald Roseman  
Attorney at Law



## APPENDIX 1 – Settlement Stipulation

**BEFORE THE  
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

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| WASHINGTON UTILITIES AND  | ) |                        |
| TRANSPORTATION COMMISSION | ) | DOCKET UE-110876       |
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| AVISTA CORPORATION d/b/a  | ) |                        |
| AVISTA UTILITIES          | ) | SETTLEMENT STIPULATION |
| Respondent.               | ) |                        |
| .....)                    | ) |                        |

**I. PARTIES**

1. This Settlement Stipulation is entered into by Avista Corporation (“Avista” or the “Company”), the Staff of the Washington Utilities and Transportation Commission (“Staff”), the Public Counsel Section of the Washington Office of Attorney General (“Public Counsel”), Northwest Industrial Gas Users (“NWIGU”), Industrial Customers of Northwest Utilities (“ICNU”), and The Energy Project, jointly referred to herein as the “Settling Parties.” The only remaining party is the NW Energy Coalition (the “Coalition”), who has indicated to the Settling Parties that they wish to pursue the issue of electric decoupling in Docket UE-110876 through further litigation, but do not otherwise oppose the remaining terms of this Settlement Stipulation<sup>1</sup>. The Settling Parties agree that this Settlement Stipulation is in the public interest and should be accepted as a full resolution of all issues, as among themselves, in these dockets. The Settling Parties understand this

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<sup>1</sup> The Settlement Stipulation, under WAC 480-07-730, bears the indicia of both a “partial settlement” and a “multiparty settlement” as those terms are defined therein. Because the Coalition has indicated that they only want to preserve the issue of electric decoupling for further litigation in Docket UE-110876 and do not oppose the remaining terms of the Settlement (but are not willing to actually sign the Stipulation), the Settlement, in effect, is “partial” (i.e., “agreement of all parties on some issues”) and “multiparty” (i.e., “agreement of some, but not all, parties on one or more issues”).

Settlement Stipulation is subject to approval of the Washington Utilities and Transportation Commission (the “Commission”).

## II. INTRODUCTION

2. On May 16, 2011, Avista filed with the Commission certain tariff revisions designed to increase general rates for electric service (Docket UE-110876) and natural gas service (Docket UG-110877) in the State of Washington. Avista requested an increase in electric base rates of \$38.3 million, or 9.1 percent, and an increase in natural gas base rates of \$6.2 million, or 4.0 percent. On June 1, 2011, the Commission entered Order 01 suspending the tariff revisions and consolidating Dockets UE-110876 and UG-110877 for hearing and determination pursuant to WAC 480-07-320. A Prehearing Conference Order (Order 04) issued on June 20, 2011, established a procedural schedule, among other things. Representatives of all Parties appeared at a Settlement Conference on September 22-23, 2011, which was held for the purpose of narrowing the contested issues in this proceeding.

3. The Settling Parties have reached a settlement of all issues as among themselves in this proceeding and wish to present their agreement for the Commission’s consideration. The Settling Parties therefore adopt the following Settlement Stipulation in the interest of reaching a fair disposition of the issues in this proceeding.

## III. AGREEMENT

### A. Revised Proposed Increase and Rate Effective Date

4. The Settling Parties agree that Avista shall be authorized to implement rate changes designed to increase its annual revenues from Washington electric customers by \$20.0 million (or 4.6 percent on average), and from Washington natural gas customers by \$3.75 million (or 2.4 percent on average). With the exception of Public Counsel, the Settling Parties agree that the rate changes

identified herein should be effective with service on and after January 1, 2012<sup>2</sup>.

5. For settlement purposes, and until the Commission establishes another figure for Rate of Return, the Settling Parties have agreed Avista will use a Rate of Return of 7.62% for purposes of booking “Allowance For Funds Used During Construction” (AFUDC)<sup>3</sup> and as necessary for compliance filings. The Settling Parties have explicitly not agreed on the specific capital structure ratios or the cost of capital components.

6. Agreement on Specific Items Reflected in Revenue Requirement. All numbers below are on a Washington allocated basis unless indicated otherwise:

a.) **Removal of Electric Energy Efficiency Load Adjustment (EELA):**

In its original filing, the Company proposed an Energy Efficiency Load Adjustment (EELA) which restated weather-normalized test year loads of the Company's retail electric customers to reflect the Company's measurement of the impact of programmatic electric energy efficiency efforts. The Parties did not agree to the EELA, and it was removed from the revenue requirement, and the billing determinants were adjusted to remove the EELA, in this Settlement Stipulation.

b.) **Vegetation Management Expenses:**

This adjustment reflects a decrease to the Company's filed pro forma electric vegetation management expense to reflect test period electric distribution and transmission vegetation management expenses of \$3.908 million. The Company is currently required, effective for calendar year 2011 per Commission Order 07 in Docket UE-100467, to spend a minimum of \$4.025 million annually for electric

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<sup>2</sup> Public Counsel does not support the proposed rate effective date, however, it is not challenging the overall settlement on this basis.

<sup>3</sup> Consideration of any ROE adjustment related to decoupling would be at issue with any decoupling proposal.

distribution and transmission vegetation management expenses. Avista reports its vegetation management expenses to the Commission annually within the Company's Commission Basis Report, and maintains a one-way balancing account to track any funds under-spent (below the \$4.025 million for 2011). In the event there are unspent funds for vegetation management in any given year, those unspent funds will be accounted for and spent in the subsequent year or credited back to customers. This adjustment also decreases the required minimum annual spend level of \$4.025 million to \$3.908 million effective January 1, 2012.

**c.) Administrative and General Expenses:**

The Settling Parties have agreed to an overall proforma adjustment to the proposed test period Administrative and General Expenses of \$1.235 million (electric) and \$138,000 (natural gas). The costs addressed by this adjustment include and/or are related to:

- a) Allocation of executive labor costs to non-utility operations related to actual executive time spent on such
- b) Level of executive incentive compensation, and costs associated with administration of the supplemental executive retirement plan ("SERP")
- c) Costs of non-utility related company airplane flights
- d) Costs associated with the accounting audit, training, and reporting required by the Commission's Final Order in UE-100467 and UG-100468
- e) Extrapolation of certain A&G error rates identified through Avista's internal accounting audit
- f) Incorrectly-booked A&G expenses identified during discovery in this case
- g) Various costs associated with lobbying and legislative activities
- h) Costs associated with promotional advertising, marketing, and corporate imaging
- i) Various meal, entertainment, and meeting expenses
- j) "Wattson" campaign costs booked to general rate accounts
- k) Various expenses with dual shareholder/ratepayer benefits
- l) Certain expenses associated with Board of Directors' meetings
- m) Charitable donations

The Company and the other Settling Parties reserve the right to address the appropriateness of expenses set forth above in any future proceeding, except where recovery is prohibited by law.

d.) **BPA Parallel Operation Agreement**

This adjustment increases transmission revenues to reflect a settlement agreement between the Company and the Bonneville Power Administration (BPA). In 2010, the Company reached agreement with the BPA regarding BPA's use of the Avista transmission system in prior years to support the integration of wind in southeastern Washington. The agreement included a one-time settlement amount of \$1,177,000 (system), which was recorded in 2010 operating revenues. In its direct filed case the Company removed this revenue from its pro forma transmission revenues. This adjustment (in the Settlement Stipulation) increases transmission revenues by \$256,000<sup>4</sup> to reflect the first year (2012) of a three-year amortization of the Washington portion (\$767,000) for ratemaking purposes of the revenue received through this agreement with BPA.

e.) **Transmission Line Ratings Confirmation Plan:**

This adjustment amortizes the Transmission Line Ratings Confirmation Plan ("TLRC Plan") expenses over a three-year period beginning January 1, 2012. The Avista TLRC Plan is a three-year program designed to address compliance with certain North American Electric Reliability Corporation ("NERC") standards. The overall cost of the three-year plan (beginning in late 2011) is expected to be approximately \$2,945,000 System (the Washington portion is approximately \$1,919,000). The total

Washington portion of the plan will be deferred, with deferred costs being amortized over a three-year period beginning January 1, 2012, or approximately \$640,000 annually<sup>5</sup>, with no carrying charge on the unamortized balance. Washington's portion of the TLRC Plan will be allocated to the Washington jurisdiction based on the Production/Transmission allocation percentages in place at the time the deferrals are made. Account 182.3 – Other Regulatory Assets would be debited, and Account 407.4 – Regulatory Credits would be credited as the deferrals are recorded. Amortization would be recorded by debiting Account 407.3 – Regulatory Debits, and crediting Account 182.3 – Other Regulatory Assets. Parties have the right to a full review of the actual amounts sought for deferral and amortization including prudence review.

**f.) Jackson Prairie (JP) Storage:**

In the Settlement Stipulation approved by the Commission in Dockets UE-100467 and UG-100468, the Parties agreed that the revenue requirement associated with Avista's rate of return applied to the actual balance of the additional JP working gas inventory applicable to Washington gas operations shall be calculated as a deferred cost beginning May 1, 2011, to be recovered in the Company's future PGA filings starting with Avista's fall 2011 PGA filing, until recovered in base rates in a subsequent general rate case. In addition, the additional operations and maintenance costs would be recorded in the Company's PGA deferrals for later recovery in rates until those costs are included in base retail rates. The Parties have agreed in this Settlement Stipulation that the additional JP working gas inventory, as well as

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<sup>4</sup> See Appendix 1 which reflects this amount spread over a one-year period.

additional operations and maintenance costs, would be included in base rates and would no longer be recovered in future PGA filings, except for those deferred costs incurred prior to January 1, 2012 and have agreed that the 13 percent allocation made for system balancing for JP, reflecting the May 1, 2011 capacity addition, is appropriate.

7. Smart Grid. The reflection of any costs associated with smart grid investments in the proposed revenue requirement should not be construed as providing a prudence determination as to those investments, nor should it indicate any pre-approval of future investments and/or costs. All parties reserve the right to challenge any future smart grid-related expenditures.

8. ERM Authorized Amounts. Appendix 1 sets forth the agreed-upon level of power supply related expenses and revenues, retail load and retail revenue credit resulting from this Stipulation, that will be used in the monthly Energy Recovery Mechanism (“ERM”) calculations. It includes updated natural gas costs and short-term contracts, which were taken into account when arriving at the agreed-upon electric revenue requirement.

9. Natural Gas Decoupling Baseline and Application. Pursuant to the Commission’s order initially adopting the Avista decoupling pilot, In Re Petition of Avista Corp., Order 04, Docket UG-060518, paragraph 49, the baseline for the natural gas decoupling mechanism has been updated so as to use the test year employed in this rate case proceeding. The update of the baseline is reflected in Appendix 2. The Settling Parties agree that Schedule 159 shall continue in effect for Avista’s natural gas customers with the update of the baseline reflected in Appendix 2.

**B. Deferred Accounting for Maintenance Costs of Colstrip and Coyote Springs 2.**

10. In order to address the variability in year-to-year maintenance costs, beginning in 2011 the

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<sup>5</sup>The actual amortization expensed annually may vary slightly based on the actual TLRC Plan expenses.



Company will be allowed to defer changes in maintenance costs related to its Coyote Springs 2 (CS2) natural gas-fired generating plant located near Boardman, Oregon, and its fifteen (15) percent ownership share of the Colstrip 3 & 4 coal-fired generating plants located in southeastern Montana<sup>6</sup>.

The Company will compare actual, non-fuel, maintenance expenses for the Coyote Springs 2 (FERC Accounts 551-554) and Colstrip 3 & 4 (FERC Accounts 510-514) plants with the amount of the same expenses identified as the baseline in the applicable deferral year, and defer the difference from that baseline<sup>7</sup>. The deferral will occur annually, with deferred costs being amortized over a four-year period beginning in January of the year following the year the costs are deferred. There will be no carrying charge on the unamortized balance. The amount of expense to be included for recovery in future general rate cases would be the actual maintenance expense recorded in the test period, less any amount deferred during the test period, plus the amortization of previously deferred costs. The Company would defer the maintenance expenses referenced above in Account 182.3 – Other Regulatory Assets. The deferral would be allocated to the Washington jurisdiction based on the Production / Transmission allocation percentages in place at the time the deferrals are made, and placed in a separate Washington sub-account. Account 182.3 – Other Regulatory Assets would be debited, and Account 407.4 – Regulatory Credits would be credited as the deferrals are recorded. Amortization would be recorded by debiting Account 407.3 – Regulatory Debits, and crediting Account 182.3 – Other Regulatory Assets. Parties have the right to a full review of the actual amounts sought for deferral and amortization including prudence review.

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<sup>6</sup> Public Counsel takes no position on this issue but does not challenge the overall settlement on this basis.

<sup>7</sup> The baseline maintenance expenses will be \$9.123 million for 2009 and \$6.419 million for 2010, based on maintenance expense for the respective years. Consistent with 2009 and 2010 baseline amounts, the baseline for future years will include FERC Maintenance Accounts 551-554 (CS2) and FERC Maintenance Accounts 510-514 (Colstrip 3 & 4), Company Organization Codes C06 (CS2) and N06 (Colstrip 3 & 4), and will exclude internal Company labor. For deferral purposes, the 2009 baseline amount will be compared to the actual 2011 maintenance expense amount. The 2010 baseline amount will be compared to the actual 2012 maintenance expense amount, and for succeeding periods until a new baseline is established in a future rate proceeding.

**C. Rate Spread/Rate Design**

11. Electric Rate Spread/Rate Design:

a) Electric Cost of Service/Rate Spread – The Parties agreed to a 10 percent movement towards unity based on the Cost of Service results from the original filing for purposes of spreading the revised revenue requirement, as shown on Page 1 of Appendix 3. The Parties, however, did not agree on any specific Cost of Service methodology, nor approve any change in methodology for use in future general rate cases.

b) Electric Rate Design –

(i.) The Residential Basic Charge would remain at the current level of \$6.00 per month.

(ii.) For the rate design of Schedule 25, the basic charge would increase from \$12,500 to \$14,000, for the first 3,000 kVa or less, and there would be a uniform percentage increase applied to the first two energy block rates, and the increase to the third block rate will be equal to 0.5 times the percentage increase applied to the first two blocks. In addition, the demand charge would increase from \$4.00 to \$4.25, for kVa over 3,000 per month, and the Primary Voltage Discount for 115 kV would increase from \$1.30 to \$1.35 per kVA per month.

(iii.) The Rate Design for other Schedules would be as proposed by Avista in its original filing:

- Schedule 1 would have a uniform percentage increase for the blocks.
- Schedule 11 would have an increase in the Basic Charge from \$10.00 to \$12.00 per month, an increase in the first block and a decrease in the second block to resolve a rate design issue discussed in the Company’s filing (Pages

12-15 of Ehrbar Direct Testimony). In addition, the demand charge would increase from \$5.00 to \$5.75 per kilowatt for all demand in excess of 20 kW per month.

- Schedule 21 would have an increase in the Basic Charge from \$350 to \$400 per month, for the first 50kW or less, and a uniform percentage increase to blocks. In addition, the demand charge would increase from \$4.75 to \$5.25 per kilowatt for kW over 50 per month.
- Schedule 31 would have an increase in the Basic charge from \$7.75 to \$10.00 per month, and there would be a uniform percentage increase to blocks.
- Street and Area Lighting would see a uniform percentage increase.

12. Natural Gas Rate Spread/Rate Design:

a) Natural Gas Cost of Service/Rate Spread – For purposes of spreading the revised revenue requirement as shown on Page 4 of Appendix 3, the Parties agree to apply an equal percentage of margin increase to all gas service schedules, except Schedule 146 (Transportation Service). Schedule 146 will receive two-thirds of an equal margin increase, with the residual one-third allocated proportionately (based on margin) to the other schedules.

b) Natural Gas Rate Design

- (i.) The Residential Basic Charge will remain at the current level of \$6.00 per month.
- (ii.) Schedule 146 would have an increase in the Basic Charge from \$225 to \$250 per month, and a uniform percentage increase to all blocks.
- (iii.) The Rate Design for other Schedules would be as proposed by Avista in its original filing:

- Schedule 111 would have an increase in the monthly Minimum Charge based on Schedule 101 rates (breakeven at 200 therms), and a uniform percentage increase to blocks 2 and 3.
- Schedule 121 would have an increase in the monthly Minimum Charge based on 101 rates (breakeven at 500 therms), and a uniform percentage increase to blocks 2-4, with no change to block 5.
- Schedule 131 would have a uniform percentage increase to blocks.

**D. Low Income Rate Assistance Program (LIRAP) Funding:**

13. The Parties agree to adjust the LIRAP portion of the tariff riders (Schedules 91 and 191) to provide an increase in annual funding of \$370,000 to direct low-income energy bill (rate) assistance. In addition, \$180,000 of existing annual funding currently allocated to Conservation Education would be reallocated on an annual basis to direct low-income energy bill (rate) assistance. The result of the increase in new funding and reallocation of existing funding is an overall increase of \$550,000 in direct energy bill (rate) assistance. With this increase, the annual funding level for electric low income customers would be approximately \$3.6 million, and approximately \$1.8 million for natural gas low income customers. Appendix 4 identifies the tariff rider adjustments to Schedules 91 and 191 (in ¢/kWh and ¢/therm) to reflect increased levels of funding for LIRAP. As a part of its compliance filing for this rate case, the Company would file revised Schedule 91 and 191 tariffs consistent with the changes identified in Appendix 4. Settling Parties reserve the right to argue for different levels of funding in Avista's next general rate case.

**E. Effective Date:**

14. As an integral part of this Settlement, the Settling Parties, with the exception of Public Counsel as noted above, have agreed that the new rates shall be implemented on January 1, 2012,

and support a modification of the procedural schedule to accommodate such a date.

**F. Next General Rate Case:**

15. The Company will not file a general rate case in the Washington jurisdiction before April 1, 2012. In addition:

- Avista agrees to begin separately accounting for all internal and external costs related to preparation, filing, and litigation of Washington general rate cases. The Company will present the overall amount of test year rate case expenses, including but not limited to internal labor costs, administrative and production costs, and costs of outside services, beginning with the 2012 test year.
- Pursuant to the Commission's Final Order in Docket UE-100467 and UE-100468, Avista shall perform an annual internal audit for accounting practices in each of the three years following the issuance of that Final Order, and shall prepare a report regarding the results of such audit. The Company shall provide to the Parties the results of its annual audit(s), as well as all internal and external costs associated with performing the audit(s) and preparing the report(s).

**G. Unresolved Issue of Electric Decoupling:**

16. The Northwest Energy Coalition has indicated to the Settling Parties that it wishes to pursue the issue of electric decoupling in Docket UE-110876 through further litigation. It is the understanding of the Settling Parties that the Coalition does not otherwise object to the implementation of the agreed-upon revenue requirement on January 1, 2012, or other terms of this Settlement. Accordingly, by separate motion, the Settling Parties will request a prehearing conference to address the process and schedule by which the Commission will review the Settlement

Agreement, the status of the full decoupling issue in this docket, and related procedural issues<sup>8</sup>.

#### **IV. EFFECT OF THE SETTLEMENT STIPULATION**

17. Binding on Settling Parties. The Settling Parties agree to support the terms of the Settlement Stipulation throughout this proceeding, including any appeal, and recommend that the Commission issue an order adopting the Settlement Stipulation contained herein. The Settling Parties understand that this Settlement Stipulation is subject to Commission approval. The Settling Parties agree that this Settlement Stipulation represents a compromise in the positions of the Settling Parties. As such, conduct, statements and documents disclosed in the negotiation of this Settlement Stipulation shall not be admissible evidence in this or any other proceeding.

18. Integrated Terms of Settlement. The Settling Parties have negotiated this Settlement Stipulation as an integrated document. Accordingly, the Settling Parties recommend that the Commission adopt this Settlement Stipulation in its entirety. Each Party has participated in the drafting of this Settlement Stipulation, so it should not be construed in favor of, or against, any particular Party.

19. Procedure. The Settling Parties shall cooperate in submitting this Settlement Stipulation promptly to the Commission for acceptance. The Settling Parties shall make available a witness or representative in support of this Settlement Stipulation. The Settling Parties agree to cooperate, in good faith, in the development of such other information as may be necessary to support and explain the basis of this Settlement Stipulation and to supplement the record accordingly.

20. Reservation of Rights. The Settling Parties agree to stipulate into evidence the prefiled direct testimony and exhibits of the Company as they relate to the stipulated issues, together with such

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<sup>8</sup>. Should the Commission conclude that further proceedings in Docket No. UE-110876 should be conducted for purposes of addressing any electric decoupling proposal by the Coalition, the Settling Parties reserve the right to contest such proposals or provide alternative proposals.

evidence in support of the Stipulation as may be offered at the time of the hearing on the Settlement. If the Commission rejects all or any material portion of this Settlement Stipulation, or adds additional material conditions, each Settling Party reserves the right, upon written notice to the Commission and all parties to this proceeding within seven (7) days of the date of the Commission's Order, to withdraw from the Settlement Stipulation. If any Settling Party exercises its right of withdrawal, this Settlement Stipulation shall be void and of no effect, and the Settling Parties will support a joint motion for a procedural schedule to address the issues that would otherwise have been settled herein.

21. Advance Review of News Releases. All Settling Parties agree:

(i.) to provide all other Settling Parties the right to review in advance of publication any and all announcements or news releases that any other Party intends to make about the Settlement Stipulation. This right of advance review includes a reasonable opportunity for a Settling Party to request changes to the text of such announcements. However, no Settling Party is required to make any change requested by another Settling Party; and,

(ii.) to include in any news release or announcement a statement that Staff's recommendation to approve the settlement is not binding on the Commission itself.

This subsection does not apply to any news release or announcement that otherwise makes no reference to Staff.

22. No Precedent. The Settling Parties enter into this Settlement Stipulation to avoid further expense, uncertainty, and delay. By executing this Settlement Stipulation, no Settling Party shall be deemed to have accepted or consented to the facts, principles, methods or theories employed in arriving at the Settlement Stipulation, and, except to the extent expressly set forth in the Settlement

Stipulation, no Settling Party shall be deemed to have agreed that such a Settlement Stipulation is appropriate for resolving any issues in any other proceeding.

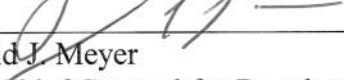
23. Public Interest. The Settling Parties agree that this Settlement Stipulation is in the public interest.

24. Execution. This Settlement Stipulation may be executed by the Settling Parties in several counterparts and as executed shall constitute one Settlement Stipulation.



Entered into this 30<sup>th</sup> day of September, 2011.

Company:

By:   
David J. Meyer  
VP, Chief Counsel for Regulatory and  
Governmental Affairs

Staff:

By: \_\_\_\_\_  
Donald T. Trotter  
Assistant Attorney General

Public Counsel:

By: \_\_\_\_\_  
Sarah A. Shifley  
Assistant Attorney General

NWIGU:

By: \_\_\_\_\_  
Chad M. Stokes  
Cable Huston Benedict  
Haagensen & Lloyd LLP

ICNU:

By: \_\_\_\_\_  
Melinda Davison  
Davison Van Cleve, P.C.

The Energy Project:

By: \_\_\_\_\_  
Ronald Roseman  
Attorney at Law

Entered into this \_\_\_\_\_ day of September, 2011.

Company: By: \_\_\_\_\_  
David J. Meyer  
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Governmental Affairs

Staff: By: Donald T. Trotter 9/30/2011  
Donald T. Trotter  
Assistant Attorney General

Public Counsel: By: \_\_\_\_\_  
Sarah A. Shifley  
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Chad M. Stokes  
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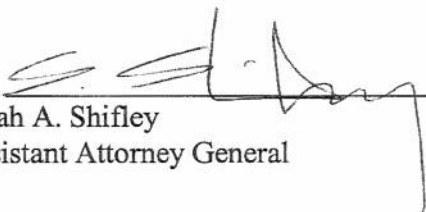
ICNU: By: \_\_\_\_\_  
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The Energy Project: By: \_\_\_\_\_  
Ronald Roseman  
Attorney at Law

Entered into this \_\_\_\_\_ day of September, 2011.

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Assistant Attorney General

Public Counsel: By: \_\_\_\_\_  
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Assistant Attorney General

NWIGU: By:  9-30-2011  
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Attorney at Law

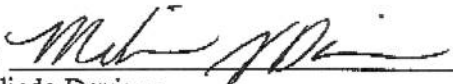
Entered into this 30<sup>th</sup> day of September, 2011.

Company: By: \_\_\_\_\_  
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Ronald Roseman  
Attorney at Law

Entered into this 30<sup>th</sup> day of September, 2011.

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David J. Meyer  
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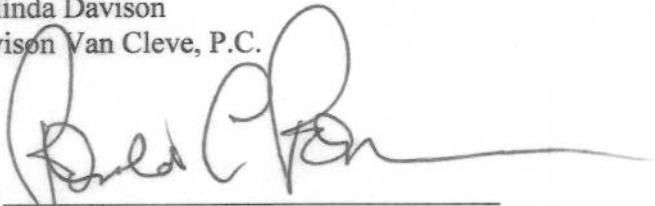
Staff: By: \_\_\_\_\_  
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The Energy Project: By: \_\_\_\_\_  
Ronald Roseman  
Attorney at Law



# APPENDIX 1

**Avista Corp**  
**ERM Authorized Expense and Retail Sales**

**ERM Authorized Power Supply Expense - System Numbers (1)**

|                                       | <u>Total</u>         | <u>January</u>      | <u>February</u>     | <u>March</u>        | <u>April</u>        | <u>May</u>         | <u>June</u>        | <u>July</u>         | <u>August</u>       | <u>September</u>    | <u>October</u>      | <u>November</u>     | <u>December</u>     |
|---------------------------------------|----------------------|---------------------|---------------------|---------------------|---------------------|--------------------|--------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Account 555 - Purchased Power         | \$115,654,947        | \$13,161,759        | \$11,977,958        | \$11,660,237        | \$9,473,327         | \$7,012,788        | \$7,258,844        | \$8,281,101         | \$9,807,137         | \$7,431,662         | \$7,419,497         | \$10,752,708        | \$11,417,928        |
| Account 501 - Thermal Fuel            | \$31,908,236         | \$3,077,916         | \$2,852,038         | \$2,928,523         | \$2,181,146         | \$1,469,354        | \$1,158,870        | \$2,765,418         | \$3,115,273         | \$3,016,531         | \$3,166,434         | \$3,066,764         | \$3,109,968         |
| Account 547 - Natural Gas Fuel        | \$98,107,323         | \$10,117,831        | \$9,188,887         | \$6,347,309         | \$3,075,716         | \$1,946,215        | \$2,204,865        | \$7,105,068         | \$10,387,613        | \$10,550,699        | \$12,385,545        | \$12,581,796        | \$12,215,779        |
| Account 447 - Sale for Resale         | \$50,958,140         | \$4,971,201         | \$4,445,361         | \$3,677,772         | \$3,285,131         | \$3,661,500        | \$2,904,168        | \$4,522,777         | \$2,695,392         | \$4,625,192         | \$5,333,974         | \$6,423,358         | \$4,412,315         |
| Black Box Power Supply Reduction (2)  | -\$2,932,781         | -\$244,398          | -\$244,398          | -\$244,398          | -\$244,398          | -\$244,398         | -\$244,398         | -\$244,398          | -\$244,398          | -\$244,398          | -\$244,398          | -\$244,398          | -\$244,398          |
| <b>Power Supply Expense</b>           | <b>\$191,779,585</b> | <b>\$21,141,908</b> | <b>\$19,329,123</b> | <b>\$17,013,898</b> | <b>\$11,200,661</b> | <b>\$6,522,459</b> | <b>\$7,474,013</b> | <b>\$13,384,411</b> | <b>\$20,370,233</b> | <b>\$16,129,302</b> | <b>\$17,393,104</b> | <b>\$19,733,512</b> | <b>\$22,086,961</b> |
| <b>Transmission Expense</b>           | <b>\$17,641,176</b>  | <b>\$1,526,636</b>  | <b>\$1,474,958</b>  | <b>\$1,529,717</b>  | <b>\$1,425,005</b>  | <b>\$1,430,460</b> | <b>\$1,438,762</b> | <b>\$1,477,824</b>  | <b>\$1,441,409</b>  | <b>\$1,454,077</b>  | <b>\$1,433,340</b>  | <b>\$1,473,058</b>  | <b>\$1,535,929</b>  |
| <b>Transmission Revenue</b>           | <b>\$11,524,732</b>  | <b>\$1,057,234</b>  | <b>\$787,213</b>    | <b>\$884,599</b>    | <b>\$751,868</b>    | <b>\$966,760</b>   | <b>\$1,152,639</b> | <b>\$1,116,297</b>  | <b>\$1,029,595</b>  | <b>\$1,014,538</b>  | <b>\$1,003,003</b>  | <b>\$951,635</b>    | <b>\$809,351</b>    |
| <b>1/3 BPA Settlement Revenue (3)</b> | <b>\$392,383</b>     | <b>\$32,699</b>     | <b>\$32,699</b>     | <b>\$32,699</b>     | <b>\$32,699</b>     | <b>\$32,699</b>    | <b>\$32,699</b>    | <b>\$32,699</b>     | <b>\$32,699</b>     | <b>\$32,699</b>     | <b>\$32,699</b>     | <b>\$32,699</b>     | <b>\$32,699</b>     |
| <b>Broker Fees</b>                    | <b>\$366,000</b>     | <b>\$30,500</b>     | <b>\$30,500</b>     | <b>\$30,500</b>     | <b>\$30,500</b>     | <b>\$30,500</b>    | <b>\$30,500</b>    | <b>\$30,500</b>     | <b>\$30,500</b>     | <b>\$30,500</b>     | <b>\$30,500</b>     | <b>\$30,500</b>     | <b>\$30,500</b>     |

**ERM Authorized Washington Retail Sales (4)**

|                                   | <u>Total</u>        | <u>January</u> | <u>February</u> | <u>March</u>   | <u>April</u>   | <u>May</u>     | <u>June</u>    | <u>July</u>    | <u>August</u>  | <u>September</u> | <u>October</u> | <u>November</u> | <u>December</u> |
|-----------------------------------|---------------------|----------------|-----------------|----------------|----------------|----------------|----------------|----------------|----------------|------------------|----------------|-----------------|-----------------|
| <b>Total Retail Sales, MWh</b>    | <b>5,528,276</b>    | <b>510,744</b> | <b>483,398</b>  | <b>466,836</b> | <b>426,802</b> | <b>396,288</b> | <b>410,509</b> | <b>447,904</b> | <b>483,473</b> | <b>416,772</b>   | <b>454,738</b> | <b>481,280</b>  | <b>549,531</b>  |
| <b>Retail Revenue Credit Rate</b> | <b>\$50.37 /MWh</b> |                |                 |                |                |                |                |                |                |                  |                |                 |                 |

(1) Multiply system numbers by 65.16% to determine Washington share.

(2) Per Settlement deduct \$2,000,000 Washington share revenue requirement from power cost expenses of the updated gas cost model run.

(3) Per Settlement 1/3 of the 2010 BPA Settlement transmission revenue is included in the pro forma.

(4) Reflects 2010 Historical Normalized Washington Retail Sales without proposed Energy Efficiency Load Adjustment.



## APPENDIX 2

Avista Utilities  
 Washington - Gas - Test Year Calculations for Decoupling  
 12 Months Ended December 2010 - Docket No. UG-110877

12 MONTHS ENDED DECEMBER 2010 TEST YEAR BASE  
 Proposed Base Docket No. UG-110877

| <u>Schedule 101</u>                      | <u>Per PDE(1)</u> | <u>Annual Total</u> | <u>January</u>   | <u>February</u> | <u>March</u> | <u>April</u> | <u>May</u>  | <u>June</u> | <u>July</u> | <u>August</u> | <u>September</u> | <u>October</u> | <u>November</u> | <u>December</u> |
|--|-------------------|---------------------|------------------|-----------------|--------------|--------------|-------------|-------------|-------------|---------------|------------------|----------------|-----------------|-----------------|
| <b>Therms</b>                            |                   |                     |                  |                 |              |              |             |             |             |               |                  |                |                 |                 |
| Usage from Revenue Run(2)                | 114,318,036       | 114,318,036         | 20,975,430       | 15,686,649      | 13,792,342   | 12,118,647   | 8,026,903   | 5,208,692   | 3,313,811   | 2,388,155     | 2,436,473        | 3,588,712      | 8,096,570       | 18,685,652      |
| Ded: Prior Mo. Unbilled(2)               | (17,350,672)      | (90,481,660)        | (17,350,672)     | (13,817,871)    | (11,521,757) | (9,744,690)  | (6,713,208) | (4,487,622) | (2,796,588) | (1,968,283)   | (1,872,445)      | (2,236,801)    | (5,232,198)     | (12,739,525)    |
| Add: Current Mo. Unbilled(2)             | 14,293,952        | 87,424,940          | 13,817,871       | 11,521,757      | 9,744,690    | 6,713,208    | 4,487,622   | 2,796,588   | 1,968,283   | 1,872,445     | 2,236,801        | 5,232,198      | 12,739,525      | 14,293,952      |
| Add: Weather Adjustment(2)               | 5,966,808         | 5,966,808           | 3,203,570        | 2,702,811       | 705,646      | 139,926      | (1,444,037) | (744,947)   | -           | -             | -                | 1,185,407      | (1,032,111)     | 1,250,543       |
| Test Year Monthly Therms                 | 117,228,124       | 117,228,124         | 20,646,199       | 16,093,346      | 12,720,921   | 9,227,091    | 4,357,280   | 2,772,711   | 2,485,506   | 2,292,317     | 2,800,829        | 7,769,516      | 14,571,786      | 21,490,622      |
| <b>Customers / Billings</b>              |                   |                     |                  |                 |              |              |             |             |             |               |                  |                |                 |                 |
| Test Yr Customers/Billings(2)            | 1,736,100         | 1,736,100           | 144,558          | 144,489         | 144,456      | 144,390      | 144,232     | 144,143     | 144,244     | 144,649       | 144,788          | 144,976        | 145,338         | 145,837         |
| Test Year Average Use/Cust               |                   | 68                  | 143              | 111             | 88           | 64           | 30          | 19          | 17          | 16            | 19               | 54             | 100             | 147             |
| Schedule 101                             |                   |                     |                  |                 |              |              |             |             |             |               |                  |                |                 |                 |
| Sch 101 Base Rate/therm(3)               |                   |                     | \$0.89511        |                 |              |              |             |             |             |               |                  |                |                 |                 |
| Times: 1 minus Revenue Related Items (4) |                   |                     | 0.956002         |                 |              |              |             |             |             |               |                  |                |                 |                 |
| Revenue prior to gross up                |                   |                     | \$0.85573        |                 |              |              |             |             |             |               |                  |                |                 |                 |
| Less: Weighted Average Gas Cost/therm(5) |                   |                     | \$0.55981        |                 |              |              |             |             |             |               |                  |                |                 |                 |
| <b>Margin Rate/therm</b>                 |                   |                     | <b>\$0.29592</b> |                 |              |              |             |             |             |               |                  |                |                 |                 |

(1) From Ehrbar workpapers in Docket No. UG-110877 PDE-G -1, PDE-G-3, PDE-G-14, and PDE-G-16  
 (2) From Monthly Data below  
 (3) From Docket No. UG-110877 Settlement Appendix 3, page 6 Schedule 101 base per therm rate  
 (4) From Docket No. UG-110877 Andrews Exhibit No. \_\_\_\_ (EMA-3), page 4, line 7  
 (5) From Docket No. UG-110877 Ehrbar Exhibit No. \_\_\_\_ (PDE-6) proposed Tenth Revision Sheet 150, weighted average gas cost

Avista Utilities  
 Washington - Gas - Test Year Calculations for Decoupling  
 12 Months Ended December 2010 - Docket No. UG-110877

12 MONTHS ENDED DECEMBER 2010 TEST YEAR BASE  
 UG-110877 Weather Normalization and Unbilled Calculation

12 Months Ended December 2010 Monthly Data

| Revenue Run Therms | Jan-10     | Feb-10     | Mar-10     | Apr-10     | May-10    | Jun-10    | Jul-10    | Aug-10    | Sep-10    | Oct-10    | Nov-10    | Dec-10     | Total       |
|--------------------|------------|------------|------------|------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|------------|-------------|
| Total 101 (6)      | 20,975,430 | 15,686,649 | 13,792,342 | 12,118,647 | 8,026,903 | 5,208,692 | 3,313,811 | 2,388,155 | 2,436,473 | 3,588,712 | 8,096,570 | 18,685,652 | 114,318,036 |

Weather Normalization

|  | Jan-10                | Feb-10 | Mar-10 | Apr-10 | May-10 | Jun-10 | Jul-10 | Aug-10 | Sep-10 | Oct-10 | Nov-10 | Dec-10 | Total |
|--|-----------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|-------|
| Normal Degree Days (30 Year Average 1981 - 2010) | 1,105                 | 908    | 774    | 547    | 327    | 142    | 35     | 34     | 185    | 548    | 882    | 1,168  | 6,655 |
| Actual Degree Days                               | 919                   | 751    | 733    | 538    | 420    | 190    | 48     | 47     | 158    | 472    | 948    | 1,096  | 6,320 |
| Degree Day Adjustment (7)                        | 186                   | 157    | 41     | 9      | (93)   | (48)   | (13)   | (13)   | 27     | 76     | (66)   | 72     | 335   |
| <u>Monthly</u>                                   |                       |        |        |        |        |        |        |        |        |        |        |        |       |
| Res 101  | Use/DD/Cust(7) 0.1066 | 0.1066 | 0.1066 | 0.0965 | 0.0965 | 0.0965 | 0.0000 | 0.0000 | 0.0000 | 0.0965 | 0.0965 | 0.1066 |       |
| Com 101  | Use/DD/Cust(7) 0.2569 | 0.2569 | 0.2569 | 0.2302 | 0.2302 | 0.2302 | 0.0000 | 0.0000 | 0.0000 | 0.2302 | 0.2302 | 0.2569 |       |
| Ind 101  | Use/DD/Cust(7) 0.4329 | 0.4329 | 0.4329 | 0.3512 | 0.3512 | 0.3512 | 0.0000 | 0.0000 | 0.0000 | 0.3512 | 0.3512 | 0.4329 |       |

Sch. 101

|           |           |           |         |         |             |           |   |   |   |           |             |           |           |
|-----------|-----------|-----------|---------|---------|-------------|-----------|---|---|---|-----------|-------------|-----------|-----------|
| Res 101   | 2,628,148 | 2,217,229 | 578,895 | 114,947 | (1,186,671) | (612,035) | - | - | - | 975,305   | (849,000)   | 1,026,642 | 4,893,460 |
| Com 101   | 568,336   | 479,805   | 125,278 | 24,710  | (254,655)   | (131,479) | - | - | - | 207,860   | (181,164)   | 221,314   | 1,060,005 |
| Ind 101   | 7,086     | 5,777     | 1,473   | 269     | (2,711)     | (1,433)   | - | - | - | 2,242     | (1,947)     | 2,587     | 13,343    |
| Total 101 | 3,203,570 | 2,702,811 | 705,646 | 139,926 | (1,444,037) | (744,947) | - | - | - | 1,185,407 | (1,032,111) | 1,250,543 | 5,966,808 |

Revenue Run Customers (Meters Billed)

| Class                        | Jan-10  | Feb-10  | Mar-10  | Apr-10  | May-10  | Jun-10  | Jul-10  | Aug-10  | Sep-10  | Oct-10  | Nov-10  | Dec-10  | Annual Total |
|------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|--------------|
| Residential 101 01 (8)       | 132,550 | 132,481 | 132,452 | 132,351 | 132,227 | 132,132 | 132,233 | 132,638 | 132,775 | 132,984 | 133,302 | 133,761 | 1,591,886    |
| Commercial 101 21 (8)        | 11,894  | 11,896  | 11,894  | 11,927  | 11,895  | 11,899  | 11,900  | 11,900  | 11,901  | 11,881  | 11,924  | 11,965  | 142,876      |
| Industrial 101 31 (8)        | 88      | 85      | 83      | 85      | 83      | 85      | 84      | 84      | 85      | 84      | 84      | 83      | 1,013        |
| Interdepartmental 101 80 (8) | 26      | 27      | 27      | 27      | 27      | 27      | 27      | 27      | 27      | 27      | 28      | 28      | 325          |
| Total                        | 144,558 | 144,489 | 144,456 | 144,390 | 144,232 | 144,143 | 144,244 | 144,649 | 144,788 | 144,976 | 145,338 | 145,837 | 1,736,100    |

Monthly Unbilled Calculation

|           | Dec-09     | Jan-10     | Feb-10     | Mar-10    | Apr-10    | May-10    | Jun-10    | Jul-10    | Aug-10    | Sep-10    | Oct-10    | Nov-10     | Dec-10     |
|-----------|------------|------------|------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|------------|------------|
| WA101 (9) | 17,350,672 | 13,817,871 | 11,521,757 | 9,744,690 | 6,713,208 | 4,487,622 | 2,796,588 | 1,968,283 | 1,872,445 | 2,236,801 | 5,232,198 | 12,739,525 | 14,293,952 |

(6) From Knox Revenue Normalization workpapers in Docket No. UG-110877, TLK-R-22  
 (7) From Knox Revenue Normalization workpapers in Docket No. UG-110877, TLK-R-27 also shown in Ehrbar workpapers PDE-G-15  
 (8) From Knox Revenue Normalization workpapers in Docket No. UG-110877, TLK-R-29  
 (9) From Knox Revenue Normalization workpapers in Docket No. UG-110877, TLK-R-25 also shown in Ehrbar workpapers PDE-G-14

# APPENDIX 3

**AVISTA UTILITIES  
WASHINGTON ELECTRIC  
PRESENT & PROPOSED RATE OF RETURN BY RATE SCHEDULE  
12 MONTHS ENDED DECEMBER 31, 2010**

APPENDIX 3

|   | <b>Total</b>       | <b>Sch 1</b>       | <b>Sch 11</b>     | <b>Sch 21</b>      | <b>Sch 25</b>     | <b>Sch 31</b>    | <b>Schs 41-48</b> |
|---|--------------------|--------------------|-------------------|--------------------|-------------------|------------------|-------------------|
| Total Rate Base                                 | 1,127,811,000      | 558,836,766        | 94,461,595        | 297,948,233        | 133,307,799       | 24,703,119       | 18,553,489        |
| Revenue From Retail Rates                       | 433,007,000        | 191,729,000        | 45,040,000        | 126,192,000        | 54,884,000        | 8,828,000        | 6,334,000         |
| Other Operating Revenues                        | 39,220,000         | 18,322,282         | 3,021,274         | 10,475,850         | 6,282,534         | 809,580          | 308,480           |
| <b>Total Revenues</b>                           | <b>472,227,000</b> | <b>210,051,282</b> | <b>48,061,274</b> | <b>136,667,850</b> | <b>61,166,534</b> | <b>9,637,580</b> | <b>6,642,480</b>  |
| Total Operating Exp b4 conv items & taxes       | 365,511,000        | 178,624,687        | 29,832,297        | 93,274,473         | 52,117,942        | 7,548,516        | 4,113,085         |
| Revenue Related conversion items                | 19,857,000         | 8,792,382          | 2,065,461         | 5,786,961          | 2,516,891         | 404,838          | 290,467           |
| Income Taxes                                    | 19,968,000         | 2,906,765          | 4,722,349         | 10,286,479         | 1,116,167         | 351,880          | 584,359           |
| <b>Total Expenses</b>                           | <b>405,336,000</b> | <b>190,323,834</b> | <b>36,620,108</b> | <b>109,347,913</b> | <b>55,751,000</b> | <b>8,305,234</b> | <b>4,987,911</b>  |
| <b>Net Operating Income</b>                     | <b>66,891,000</b>  | <b>19,727,448</b>  | <b>11,441,166</b> | <b>27,319,937</b>  | <b>5,415,534</b>  | <b>1,332,346</b> | <b>1,654,569</b>  |
| <b>Present Rate of Return</b>                   | <b>5.93%</b>       | <b>3.53%</b>       | <b>12.11%</b>     | <b>9.17%</b>       | <b>4.06%</b>      | <b>5.39%</b>     | <b>8.92%</b>      |
| <b>Present Return Ratio</b>                     | <b>1.00</b>        | <b>0.60</b>        | <b>2.04</b>       | <b>1.55</b>        | <b>0.68</b>       | <b>0.91</b>      | <b>1.50</b>       |
| Interest Expense                                | 33,722,000         | 16,739,533         | 2,824,620         | 8,895,226          | 3,972,622         | 736,300          | 553,699           |
| Proposed Misc Revenue Increase                  | <b>0</b>           |                    |                   |                    |                   |                  |                   |
| Proposed Rate Revenue Increase                  | <b>20,000,000</b>  | 4.62%              |                   |                    |                   |                  |                   |
| Proposed Rev Increase                           | <b>20,000,000</b>  |                    |                   |                    |                   |                  |                   |
|   |                    | <u>change</u>      |                   |                    |                   |                  |                   |
| Proposed Rate Revenues                          | <b>453,007,000</b> | 20,000,000         |                   | Uncollectibles     | <b>0.003618</b>   |                  |                   |
| incremental conversion expenses                 | <b>884,000</b>     |                    |                   | Commiss Fees       | <b>0.002000</b>   |                  |                   |
| incremental Income Taxes                        | <b>6,691,000</b>   |                    |                   | Excise Tax         | <b>0.038590</b>   |                  |                   |
| Proposed Return                                 | <b>79,316,000</b>  | 12,425,000         |                   | Federal Inc Tax    | <b>0.334527</b>   |                  |                   |
| Proposed Return %                               | <b>7.03%</b>       |                    |                   |                    |                   |                  |                   |
| <b>Target Relative Return</b>                   | <b>1.00</b>        | <b>0.64</b>        | <b>1.94</b>       | <b>1.49</b>        | <b>0.72</b>       | <b>0.92</b>      | <b>1.37</b>       |
| Target Return %                                 | 7.03%              | 4.49%              | 13.63%            | 10.49%             | 5.04%             | 6.46%            | 9.67%             |
| Target Return (NOI b4 Interest)                 | 79,316,000         | 25,085,661         | 12,874,050        | 31,250,544         | 6,716,841         | 1,595,577        | 1,793,327         |
| Target Return after Interest Expense            | 45,594,000         | 8,346,128          | 10,049,430        | 22,355,318         | 2,744,219         | 859,277          | 1,239,628         |
| Target Return b4 Income Taxes & Interest        | 105,975,000        | 29,965,677         | 18,749,993        | 44,321,791         | 8,321,397         | 2,098,000        | 2,518,143         |
| Target Return b4 Misc Rev                       | 66,755,000         | 11,643,395         | 15,728,719        | 33,845,941         | 2,038,863         | 1,288,420        | 2,209,663         |
| Total Operating Exp b4 conv items & taxes       | 365,511,000        | 178,624,687        | 29,832,297        | 93,274,473         | 52,117,942        | 7,548,516        | 4,113,085         |
| Conversion Items                                | 20,741,000         | 9,129,980          | 2,186,298         | 6,099,982          | 2,597,298         | 424,044          | 303,398           |
| <b>Incremental Rate Revenue</b>                 | <b>20,000,000</b>  | <b>7,668,531</b>   | <b>2,707,126</b>  | <b>7,027,910</b>   | <b>1,871,358</b>  | <b>432,950</b>   | <b>292,125</b>    |
| <b>Incremental Rate Revenue with PVD Spread</b> | <b>20,000,000</b>  | <b>7,680,134</b>   | <b>2,711,222</b>  | <b>7,038,544</b>   | <b>1,843,928</b>  | <b>433,605</b>   | <b>292,567</b>    |
| <b>Target Rate Revenue</b>                      | <b>453,007,000</b> | <b>199,409,134</b> | <b>47,751,222</b> | <b>133,230,544</b> | <b>56,727,928</b> | <b>9,261,605</b> | <b>6,626,567</b>  |
| <b>Change in Rate Revenue</b>                   | <b>4.62%</b>       | <b>4.01%</b>       | <b>6.02%</b>      | <b>5.58%</b>       | <b>3.36%</b>      | <b>4.91%</b>     | <b>4.62%</b>      |
| Incremental Rate Revenue - rounded              | 20,000,000         | 7,680,000          | 2,711,000         | 7,038,000          | 1,844,000         | 434,000          | 293,000           |
| Target Rate Revenue - rounded                   | 453,008,000        | 199,409,000        | 47,751,000        | 133,231,000        | 56,728,000        | 9,262,000        | 6,627,000         |

**AVISTA UTILITIES  
WASHINGTON ELECTRIC  
PROPOSED INCREASE BY SERVICE SCHEDULE  
12 MONTHS ENDED DECEMBER 31, 2010  
(000s of Dollars)**

| No. | Type of Service             | Schedule Number | Base Tariff Revenue Under Present Rates(1) | Proposed General Increase | Base Tariff Revenue Under Proposed Rates(1) | Base Tariff Percent Increase | Total Billed Revenue at Present Rates (2) | Sch. 91 LIRAP Increase | Total General & Sch. 91 Increase | Percent Increase on Billed Revenue |
|-----|-----------------------------|-----------------|--|---------------------------|---|------------------------------|---|------------------------|----------------------------------|------------------------------------|
|     | (a)                         | (b)             | (c)  | (d)                       | (e)   | (f)                          | (g)                                       | (h)                    | (i)                              | (j)                                |
| 1   | Residential                 | 1               | \$191,729                                  | \$7,681                   | \$199,410                                   | 4.0%                         | \$197,083                                 | \$94                   | \$7,775                          | 3.9%                               |
| 2   | General Service             | 11              | \$45,040                                   | \$2,714                   | \$47,754                                    | 6.0%                         | \$47,253                                  | \$33                   | \$2,747                          | 5.8%                               |
| 3   | Large General Service       | 21              | \$126,192                                  | \$7,037                   | \$133,229                                   | 5.6%                         | \$132,252                                 | \$86                   | \$7,123                          | 5.4%                               |
| 4   | Extra Large General Service | 25              | \$54,884                                   | \$1,841                   | \$56,725                                    | 3.4%                         | \$57,559                                  | \$22                   | \$1,863                          | 3.2%                               |
| 5   | Pumping Service             | 31              | \$8,828                                    | \$434                     | \$9,262                                     | 4.9%                         | \$9,254                                   | \$5                    | \$439                            | 4.7%                               |
| 6   | Street & Area Lights        | 41-48           | <u>\$6,334</u>                             | <u>\$293</u>              | <u>\$6,627</u>                              | 4.6%                         | <u>\$6,656</u>                            | <u>\$4</u>             | <u>\$297</u>                     | 4.5%                               |
| 7   | Total                       |                 | \$433,007                                  | \$20,000                  | \$453,007                                   | 4.6%                         | \$450,056                                 | \$244                  | \$20,244                         | 4.5%                               |

(1) Excludes all present rate adjustments: Schedule 59 (BPA Residential Exchange), and Schedule 91 (Public Purpose Rider Adjustment)

(2) Includes all present rate adjustments: Schedule 59 (BPA Residential Exchange), and Schedule 91 (Public Purpose Rider Adjustment)

**AVISTA UTILITIES  
WASHINGTON ELECTRIC  
PRESENT AND PROPOSED RATE COMPONENTS BY SCHEDULE**

APPENDIX 3

| Type of Service   | Base Tariff<br>Sch. Rate | Present<br>Other Adj.(1) | Present<br>Billing Rate | General<br>Rate<br>Increase | Sch. 91<br>LIRAP<br>Increase | Proposed<br>Billing<br>Rate | Proposed<br>Base Tariff<br>Rate |
|---|--------------------------|--------------------------|-------------------------|-----------------------------|------------------------------|-----------------------------|---------------------------------|
| (a)   | (b)                      | (c)                      | (d)                     | (e)                         | (f)                          | (f)                         | (g)                             |
| <b><u>Residential Service - Schedule 1</u></b>          |                          |                          |                         |                             |                              |                             |                                 |
| Total Profo   |                          |                          |                         |                             |                              |                             |                                 |
| Street & Area Light Revenue                             | \$6.00                   |                          | \$6.00                  | \$0.00                      |                              | \$6.00                      | \$6.00                          |
| Energy Charge:  |                          |                          |                         |                             |                              |                             |                                 |
| First 600 kWhs  | \$0.06627                | \$0.00223                | \$0.06850               | \$0.00287                   | \$0.00004                    | \$0.07141                   | \$0.06914                       |
| 600 - 1,300 kWhs  | \$0.07710                | \$0.00223                | \$0.07933               | \$0.00334                   | \$0.00004                    | \$0.08271                   | \$0.08044                       |
| All over 1,300 kWhs                                     | \$0.09037                | \$0.00223                | \$0.09260               | \$0.00392                   | \$0.00004                    | \$0.09656                   | \$0.09429                       |
| <b><u>General Services - Schedule 11</u></b>            |                          |                          |                         |                             |                              |                             |                                 |
| Basic Charge  | \$10.00                  |                          | \$10.00                 | \$2.00                      |                              | \$12.00                     | \$12.00                         |
| Energy Charge:  |                          |                          |                         |                             |                              |                             |                                 |
| First 3,650 kWhs  | \$0.10037                | \$0.00536                | \$0.10573               | \$0.00854                   | \$0.00008                    | \$0.11435                   | \$0.10891                       |
| All over 3,650 kWhs                                     | \$0.09393                | \$0.00536                | \$0.09929               | (\$0.01391)                 | \$0.00008                    | \$0.08546                   | \$0.08002                       |
| Demand Charge:  |                          |                          |                         |                             |                              |                             |                                 |
| 20 kW or less   | no charge                |                          | no charge               | no charge                   |                              |                             | no charge                       |
| Over 20 kW  | \$5.00/kW                |                          | \$5.00/kW               | \$0.75/kW                   |                              | \$5.75/kW                   | \$5.75/kW                       |
| <b><u>Large General Service - Schedule 21</u></b>       |                          |                          |                         |                             |                              |                             |                                 |
| Energy Charge:  |                          |                          |                         |                             |                              |                             |                                 |
| First 250,000 kWhs                                      | \$0.06572                | \$0.00395                | \$0.06967               | \$0.00247                   | \$0.00006                    | \$0.07220                   | \$0.06819                       |
| All over 250,000 kWhs                                   | \$0.05876                | \$0.00395                | \$0.06271               | \$0.00221                   | \$0.00006                    | \$0.06498                   | \$0.06097                       |
| Demand Charge:  |                          |                          |                         |                             |                              |                             |                                 |
| 50 kW or less   | \$350.00                 |                          | \$350.00                | \$50.00                     |                              | \$400.00                    | \$400.00                        |
| Over 50 kW  | \$4.75/kW                |                          | \$4.75/kW               | \$0.50/kW                   |                              | \$5.25/kW                   | \$5.25/kW                       |
| Primary Voltage Discount                                | \$0.20/kW                |                          | \$0.20/kW               |                             |                              | \$0.20/kW                   | \$0.20/kW                       |
| <b><u>Extra Large General Service - Schedule 25</u></b> |                          |                          |                         |                             |                              |                             |                                 |
| Energy Charge:  |                          |                          |                         |                             |                              |                             |                                 |
| First 500,000 kWhs                                      | \$0.05218                | \$0.00259                | \$0.05477               | \$0.00155                   | \$0.00002                    | \$0.05634                   | \$0.05373                       |
| 500,000 - 6,000,000 kWhs                                | \$0.04695                | \$0.00259                | \$0.04954               | \$0.00139                   | \$0.00002                    | \$0.05095                   | \$0.04834                       |
| All over 6,000,000 kWhs                                 | \$0.04327                | \$0.00259                | \$0.04586               | \$0.00064                   | \$0.00002                    | \$0.04652                   | \$0.04391                       |
| Demand Charge:  |                          |                          |                         |                             |                              |                             |                                 |
| 3,000 kva or less                                       | \$12,500                 |                          | \$12,500                | \$1,500                     |                              | \$14,000                    | \$14,000                        |
| Over 3,000 kva  | \$4.00/kva               |                          | \$4.00/kva              | \$0.25/kva                  |                              | \$4.25/kva                  | \$4.25/kva                      |
| Primary Volt. Discount                                  |                          |                          |                         |                             |                              |                             |                                 |
| 11 - 60 kv  | \$0.20/kW                |                          | \$0.20/kW               |                             |                              | \$0.20/kW                   | \$0.20/kW                       |
| 60 - 115 kv   | \$1.10/kW                |                          | \$1.10/kW               |                             |                              | \$1.10/kW                   | \$1.10/kW                       |
| 115 or higher kv  | \$1.30/kW                |                          | \$1.30/kW               | \$0.05/kW                   |                              | \$1.35/kW                   | \$1.35/kW                       |
| Annual Minimum  | Present:                 | \$697,830                |                         |                             | Proposed:                    | \$732,080                   |                                 |
| <b><u>Pumping Service - Schedule 31</u></b>             |                          |                          |                         |                             |                              |                             |                                 |
| Basic Charge  | \$7.75                   |                          | \$7.75                  | \$2.25                      |                              | \$10.00                     | \$10.00                         |
| Energy Charge:  |                          |                          |                         |                             |                              |                             |                                 |
| First 165 kW/kWh  | \$0.08739                | \$0.00351                | \$0.09090               | \$0.00375                   | \$0.00004                    | \$0.09469                   | \$0.09114                       |
| All additional kWhs                                     | \$0.06242                | \$0.00351                | \$0.06593               | \$0.00269                   | \$0.00004                    | \$0.06866                   | \$0.06511                       |

(1) Includes all present rate adjustments: Sch. 59 (BPA Residential Exchange) and Sch. 91 (Public Purpose Rider Adjustment).

**AVISTA UTILITIES  
WASHINGTON GAS  
NATURAL GAS RATE SPREAD  
12 MONTHS ENDED DECEMBER 31, 2010**

|   | Total          | GEN SERVICE<br>SCHEDULE 101 | LRG GEN SVC<br>SCH. 111&112 | EX LRG GEN SVC<br>SCH. 121&122 | INTERRUPTIBLE<br>SCH. 131&132 | TRANSPORT<br>SCHEDULE 146 |          |
|---|----------------|-----------------------------|-----------------------------|--------------------------------|-------------------------------|---------------------------|----------|
| Current Revenue                             | \$ 155,350,000 | \$ 112,380,889              | \$ 36,693,945               | \$ 4,040,108                   | \$ 423,103                    | \$ 1,811,955              | from COS |
| Cost of Gas                                 | \$ 99,559,336  | \$ 68,700,192               | \$ 27,288,623               | \$ 3,205,538                   | \$ 350,722                    | \$ 14,261                 | from COS |
| Current Margin                              | \$ 55,790,664  | \$ 43,680,697               | \$ 9,405,322                | \$ 834,570                     | \$ 72,381                     | \$ 1,797,694              |          |
| Percentage of Current Margin                | 100.00%        | 78.29%                      | 16.86%                      | 1.50%                          | 0.13%                         | 3.22%                     |          |
| Increase allocated as a % of Current Margin | \$ 3,750,000   | \$ 2,936,022                | \$ 632,184                  | \$ 56,096                      | \$ 4,865                      | \$ 120,833                |          |
| Increase as a % of Current Margin *         | \$ 3,750,000   | \$ 2,968,607                | \$ 639,200                  | \$ 56,719                      | \$ 4,919                      | \$ 80,555                 |          |

\* Schedule 146 receives two-thirds of an equal margin increase, with residual one-third allocated proportionately to the other schedules.



**AVISTA UTILITIES  
WASHINGTON NATURAL GAS  
PROPOSED INCREASE BY SERVICE SCHEDULE  
12 MONTHS ENDED DECEMBER 31, 2010  
(000s of Dollars)**

| Line No. | Type of Service                            | Schedule Number | Base Tariff Revenue Under Present Rates(1) | Proposed General Increase | Base Tariff Revenue Under Proposed Rates | Base Tariff Percent Increase | Total Billed Revenue at Present Rates | Sch. 191 LIRAP Increase | Total General & LIRAP Increase | Percent Increase on Billed Revenue |
|----------|--|-----------------|--|---------------------------|--|------------------------------|---------------------------------------|-------------------------|--------------------------------|------------------------------------|
|          | (a)  | (b)             | (c)  | (d)                       | (e)                                      | (f)                          | (g)                                   | (h)                     | (i)                            | (j)                                |
| 1        | General Service                            | 101             | \$112,380                                  | \$2,968                   | \$115,348                                | 2.6%                         | \$108,981                             | \$102                   | \$3,070                        | 2.8%                               |
| 2        | Large General Service                      | 111             | \$36,694                                   | \$640                     | \$37,334                                 | 1.7%                         | \$34,718                              | \$22                    | \$662                          | 1.9%                               |
| 3        | Large General Svc.-High Annual Load Factor | 121             | \$4,041                                    | \$56                      | \$4,097                                  | 1.4%                         | \$3,811                               | \$2                     | \$58                           | 1.5%                               |
| 4        | Interruptible Service                      | 131             | \$423                                      | \$5                       | \$428                                    | 1.2%                         | \$389                                 | \$0                     | \$5                            | 1.4%                               |
| 5        | Transportation Service                     | 146             | \$1,812                                    | \$81                      | \$1,893                                  | 4.5%                         | \$1,812                               | \$0                     | \$81                           | 4.5%                               |
| 6        | Special Contracts                          | 148             | <u>\$1,453</u>                             | <u>\$0</u>                | <u>\$1,453</u>                           | 0.0%                         | <u>\$1,453</u>                        | <u>\$0</u>              | <u>\$0</u>                     | 0.0%                               |
| 7        | Total                                      |                 | \$156,803                                  | \$3,750                   | \$160,553                                | 2.4%                         | \$151,164                             | \$126                   | \$3,876                        | 2.6%                               |

(1) Includes Purchase Gas Cost Adjustment Schedule 150; excludes all other rate adjustments.

**AVISTA UTILITIES  
WASHINGTON NATURAL GAS  
PRESENT AND PROPOSED RATE COMPONENTS BY SCHEDULE**

APPENDIX 3

| Type of Service<br>(a)   | Base<br>Rate(1)<br>(b) | Present<br>Rate Adj.<br>(c) | Present<br>Billing Rate (2)<br>(d) | General<br>Rate<br>Increase<br>(e) | Sch. 191<br>LIRAP/DSM<br>Increase<br>(f) | Proposed<br>Billing<br>Rate(2)<br>(g) | Proposed<br>Base<br>Rate(1)<br>(h) |
|--|------------------------|-----------------------------|------------------------------------|------------------------------------|--|---------------------------------------|------------------------------------|
| <b><u>General Service - Schedule 101</u></b>                               |                        |                             |                                    |                                    |  |                                       |                                    |
| Basic Charge   | \$6.00                 |                             | \$6.00                             | \$0.00                             |  | \$6.00                                | \$6.00                             |
| Usage Charge:  |                        |                             |                                    |                                    |  |                                       |                                    |
| All therms   | \$0.86979              | (\$0.02900)                 | \$0.84079                          | \$0.02532                          | \$0.00087                                | \$0.86698                             | \$0.89511                          |
| <b><u>Large General Service - Schedule 111</u></b>                         |                        |                             |                                    |                                    |  |                                       |                                    |
| Usage Charge:  |                        |                             |                                    |                                    |  |                                       |                                    |
| First 200 therms   | \$0.89960              | (\$0.04220)                 | \$0.85740                          | \$0.02530                          | \$0.00047                                | \$0.88317                             | \$0.92490                          |
| 200 - 1,000 therms   | \$0.80455              | (\$0.04220)                 | \$0.76235                          | \$0.01261                          | \$0.00047                                | \$0.77543                             | \$0.81716                          |
| All over 1,000 therms  | \$0.73549              | (\$0.04220)                 | \$0.69329                          | \$0.01154                          | \$0.00047                                | \$0.70530                             | \$0.74703                          |
| Minimum Charge:  |                        |                             |                                    |                                    |  |                                       |                                    |
| per month  | \$146.95               |                             | \$146.95                           | \$5.06                             |  | \$152.01                              | \$152.01                           |
| per therm  | \$0.16485              | (\$0.04220)                 | \$0.12265                          |                                    | \$0.00047                                | \$0.12312                             | \$0.16485                          |
| <b><u>High Annual Load Factor Large General Service - Schedule 121</u></b> |                        |                             |                                    |                                    |  |                                       |                                    |
| Usage Charge:  |                        |                             |                                    |                                    |  |                                       |                                    |
| First 500 therms   | \$0.88114              | (\$0.04051)                 | \$0.84063                          | \$0.02598                          | \$0.00034                                | \$0.86695                             | \$0.90712                          |
| 500 - 1,000 therms   | \$0.80322              | (\$0.04051)                 | \$0.76271                          | \$0.01281                          | \$0.00034                                | \$0.77586                             | \$0.81603                          |
| 1,000 - 10,000 therms  | \$0.73271              | (\$0.04051)                 | \$0.69220                          | \$0.01168                          | \$0.00034                                | \$0.70422                             | \$0.74439                          |
| 10,000 - 25,000 therms   | \$0.68842              | (\$0.04051)                 | \$0.64791                          | \$0.01098                          | \$0.00034                                | \$0.65923                             | \$0.69940                          |
| All over 25,000 therms   | \$0.66321              | (\$0.04051)                 | \$0.62270                          |                                    | \$0.00034                                | \$0.62304                             | \$0.66321                          |
| Minimum Charge:  |                        |                             |                                    |                                    |  |                                       |                                    |
| per month  | \$365.64               |                             | \$365.64                           | \$12.99                            |  | \$378.63                              | \$378.63                           |
| per therm  | \$0.14986              | (\$0.04051)                 | \$0.10935                          |                                    | \$0.00034                                | \$0.10969                             | \$0.14986                          |
| Annual Minimum per therm   | Present:               | \$0.24560                   |                                    |                                    |  | Proposed:                             | \$0.26472                          |
| <b><u>Interruptible Service - Schedule 131</u></b>                         |                        |                             |                                    |                                    |  |                                       |                                    |
| Usage Charge:  |                        |                             |                                    |                                    |  |                                       |                                    |
| First 10,000 therms  | \$0.70033              | (\$0.05249)                 | \$0.64784                          | \$0.00814                          | \$0.00026                                | \$0.65624                             | \$0.70847                          |
| 10,000 - 25,000 therms   | \$0.65772              | (\$0.05249)                 | \$0.60523                          | \$0.00765                          | \$0.00026                                | \$0.61314                             | \$0.66537                          |
| 25,000 - 50,000 therms   | \$0.64727              | (\$0.05249)                 | \$0.59478                          | \$0.00753                          | \$0.00026                                | \$0.60257                             | \$0.65480                          |
| All over 50,000 therms   | \$0.64381              | (\$0.05249)                 | \$0.59132                          | \$0.00749                          | \$0.00026                                | \$0.59907                             | \$0.65130                          |
| Annual Minimum per therm   | Present:               | \$0.17166                   |                                    |                                    |  | Proposed:                             | \$0.18570                          |
| <b><u>Transportation Service - Schedule 146</u></b>                        |                        |                             |                                    |                                    |  |                                       |                                    |
| Basic Charge   | \$225.00               |                             | \$225.00                           | \$25.00                            |  | \$250.00                              | \$250.00                           |
| Usage Charge:  |                        |                             |                                    |                                    |  |                                       |                                    |
| First 20,000 therms  | \$0.07829              |                             | \$0.07829                          | \$0.00322                          |  | \$0.08151                             | \$0.08151                          |
| 20,000 - 50,000 therms   | \$0.06970              |                             | \$0.06970                          | \$0.00287                          |  | \$0.07257                             | \$0.07257                          |
| 50,000 - 300,000 therms  | \$0.06289              |                             | \$0.06289                          | \$0.00259                          |  | \$0.06548                             | \$0.06548                          |
| 300,000 - 500,000 therms   | \$0.05819              |                             | \$0.05819                          | \$0.00240                          |  | \$0.06059                             | \$0.06059                          |
| All over 500,000 therms  | \$0.04384              |                             | \$0.04384                          | \$0.00181                          |  | \$0.04565                             | \$0.04565                          |
| Annual Minimum per therm   | Present:               | \$0.06970                   |                                    |                                    |  | Proposed:                             | \$0.07257                          |

(1) Includes Schedules 150 (Purchase Gas Cost Adjustment).

(2) Includes Schedule 150 (Purchase Gas Cost Adjustment), Schedule 155 (Gas Rate Adjustment),  
Schedule 159 (Gas Decoupling Rate Adjustment), and Schedule 191 (Public Purpose Rider Adjustment).

# APPENDIX 4

**AVISTA UTILITIES  
WASHINGTON ELECTRIC  
PROPOSED LIRAP INCREASE BY SERVICE SCHEDULE  
12 MONTHS ENDED DECEMBER 31, 2010**

|                                    | TOTAL             | RESIDENTIAL<br>SCHEDULE 1 | GENERAL SVC.<br>SCH. 11,12 | LG. GEN. SVC.<br>SCH. 21,22 | EX LG GEN SVC<br>SCHEDULE 25 | PUMPING<br>SCH. 30, 31, 32 | ST & AREA LTG<br>SCH. 41-48 |
|------------------------------------|-------------------|---------------------------|----------------------------|-----------------------------|------------------------------|----------------------------|-----------------------------|
| Total Proforma kWh's               | 5,528,275,551     | 2,400,600,212             | 412,773,798                | 1,534,219,600               | 1,032,906,148                | 121,381,473                | 26,394,320                  |
| Street & Area Light Revenue        |                   |                           |                            |                             |                              |                            | 6,626,620                   |
| Schedule 91 (LIRAP Portion)        |                   | \$ 0.00062                | \$ 0.00087                 | \$ 0.00064                  | \$ 0.00042                   | \$ 0.00056                 | 0.80%                       |
| Current Gross LIRAP Revenue        | \$ 3,384,193      | \$ 1,488,372              | \$ 359,113                 | \$ 981,901                  | \$ 433,821                   | \$ 67,974                  | \$ 53,013                   |
| GRC Rate Spread                    | 20,000,000        | 7,680,134                 | 2,711,222                  | 7,038,544                   | 1,843,928                    | 433,605                    | 292,567                     |
| GRC Rate Spread %                  | 100.00%           | 38.40%                    | 13.56%                     | 35.19%                      | 9.22%                        | 2.17%                      | 1.46%                       |
| <b>Additional LIRAP Allocation</b> | <b>\$ 244,200</b> | <b>\$ 93,774</b>          | <b>\$ 33,104</b>           | <b>\$ 85,941</b>            | <b>\$ 22,514</b>             | <b>\$ 5,294</b>            | <b>\$ 3,572</b>             |
| Total Proposed LIRAP Funding       | \$ 3,628,393      | \$ 1,582,147              | \$ 392,217                 | \$ 1,067,841                | \$ 456,335                   | \$ 73,268                  | \$ 56,585                   |
| <b>Proposed LIRAP Rates</b>        |                   | <b>\$ 0.00066</b>         | <b>\$ 0.00095</b>          | <b>\$ 0.00070</b>           | <b>\$ 0.00044</b>            | <b>\$ 0.00060</b>          | <b>0.85%</b>                |

**AVISTA UTILITIES  
WASHINGTON NATURAL GAS  
PROPOSED LIRAP INCREASE BY SERVICE SCHEDULE  
12 MONTHS ENDED DECEMBER 31, 2010**

|                                      | TOTAL             | GEN SERVICE<br>SCHEDULE 101 | LRG GEN SVC<br>SCH. 111&112 | EX LRG GEN SVC<br>SCH. 121&122 | INTERRUPTIBLE<br>SCH. 131&132 |
|--------------------------------------|-------------------|-----------------------------|-----------------------------|--------------------------------|-------------------------------|
| Total Proforma Therms                | 170,337,344       | 117,228,124                 | 46,808,700                  | 5,658,860                      | 641,660                       |
| Schedule 191 (LIRAP Portion)         |                   | \$ 0.01007                  | \$ 0.00870                  | \$ 0.00803                     | \$ 0.00778                    |
| Current Gross LIRAP Revenue          | \$ 1,638,156      | \$ 1,180,487                | \$ 407,236                  | \$ 45,441                      | \$ 4,992                      |
| GRC Rate Spread (excluding Sch. 146) | \$ 3,669,145      | \$ 2,968,307                | \$ 639,200                  | \$ 56,719                      | \$ 4,919                      |
| GRC Rate Spread %                    | 100.00%           | 80.90%                      | 17.42%                      | 1.55%                          | 0.13%                         |
| <b>Additional LIRAP Allocation</b>   | <b>\$ 125,800</b> | <b>\$ 101,771</b>           | <b>\$ 21,916</b>            | <b>\$ 1,945</b>                | <b>\$ 169</b>                 |
| Total Proposed LIRAP Funding         | \$ 1,763,956      | \$ 1,282,258                | \$ 429,151                  | \$ 47,385                      | \$ 5,161                      |
| <b>Proposed LIRAP Rates</b>          |                   | <b>\$ 0.01094</b>           | <b>\$ 0.00917</b>           | <b>\$ 0.00837</b>              | <b>\$ 0.00804</b>             |