

Agenda Date: April 27, 2005
Item Numbers: A3 and A4

Dockets: UE-050482 & UG-050483
Company: Avista Corporation

Staff: Roger Braden, Assistant Director – Energy
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Recommendation:

Issue a complaint and order suspending tariff revisions filed by Avista Corporation, consolidate Dockets UE-050482 and UG-050483, and set these matters for hearing.

Discussion:

On March 30, 2005, Avista Corporation filed revised tariff sheets applicable to electric and natural gas services in Washington.

The Company's present annual Washington electric revenues are \$285,399,000. The Company is requesting annual revenues of \$321,232,000 or an 11.4% total revenue increase. The requested increase represents a \$35.8 million or 12.5% base rate increase. The Company states that the residential rates will increase 13.7%, or \$7.92 per month on average. Also, the Company is requesting to raise the residential monthly basic charge 10% from the current rate of \$5.00 to \$5.50. According to the Company, the primary factors driving the requested electric rate increase are increases in power supply related expenses and increased plant investment.

The Company's present annual Washington natural gas revenues are \$162,107,000. The Company is requesting annual revenues of \$165,050,000 or a 1.7% total revenue increase. The requested increase represents a \$2.9 million or 1.8% base rate increase. The Company states that the residential rates will increase 2.1%, or \$1.48 per month on average. The primary factors driving the increase are the cost of capital and the revenue requirement impact of certain pro forma adjustments to expenses that were not given effect in the last settled rate case.

The Company's requests includes a(n):

- Overall rate of return of 9.67%
- Rate of return on common equity of 11.50%
- Capital Structure for Common Equity of 44.00%

The Company's last electric general rate case was in July 1, 2002. In that proceeding, the Commission granted a revenue increase of \$45.7 million annually or 19.3%.

The Company's gas rates were last increased in November 2004. This resulted in an annual revenue increase of \$5.4 million or 3.87%.

The Commission Staff has not had sufficient time to review, audit or make a reasonable assessment to make a recommendation to the Commission that the proposed rates are fair, just, and reasonable.

Also, the Commission Staff believes that it is necessary to thoroughly analyze the case and audit Avista's books, accounts, practices, and activities before assessing if the Company's proposed rates and charges in its tariff revisions would result in rates that are fair, just, and reasonable.

The Company serves approximately 218,500 electric customers and 134,000 gas customers in Eastern Washington.

Conclusion:

In order to determine whether the proposed tariff revisions are fair, just, reasonable, and sufficient, staff recommends that the Commission issue a complaint and order suspending tariff revisions filed by Avista Corporation, consolidate Dockets UE-050482 and UG-050483, and set these matters for hearing.