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Corp.

September 2, 2005

Washington Utilities & Transportation Commission
Attn: Lynda Johnson
Consumer Services
P.O. Box 47250
Olympia, WA 98504-7250

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RECORDS MANAGEMENT
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STATE OF WASH.
UTIL. AND TRANSP.
COMMISSION

RE: Docket No. UE-050482 and UG-050483

Enclosed please find two copies of Avista's notice for Washington customers regarding the Public Hearing to be held October 12 in Spokane relating to the proposed settlement of Avista's General Rate Filing.

Sincerely,

A handwritten signature in cursive script that reads "Patty Olsness".

Patty Olsness
On behalf of Mike Fink
Rate Analyst
Avista Utilities

Important Notice for Washington Customers

Public Hearing to be held October 11 in Spokane relating to a Proposed Settlement of Avista's General Rate Filing

On March 30, 2005, Avista filed with the Washington Utilities and Transportation Commission (WUTC) a request to increase electric rates by an average of 12.5 percent or \$35.8 million annually, and natural gas rates by an average of 1.8 percent or \$2.9 million annually. This filing is a general rate request to recover increased costs associated with operating and maintaining Avista's electric and natural gas systems.

Parties Supporting Settlement

During August, Avista entered into an agreement including four of the six parties involved in the filing to reduce the original requested electric increase from \$35.8 million annually to \$22.1 million and the natural gas increase from \$2.9 million annually to \$1.0 million. Under the proposed settlement the proposed electric increase was reduced from 12.5% to 7.7%, and the natural gas increase was reduced from 1.8% to 0.6%. The parties supporting the settlement are Avista, the Commission Staff, The Energy Project (representing low-income assistance agencies), and Northwest Industrial Gas Users.

Parties Opposing Settlement

Two parties are opposing the settlement agreement. The Public Counsel Section of the Washington State Attorney General's Office, which represents residential and commercial customers, contends that Avista should receive an increase of no more than \$11.7 million in electric revenues and about \$200,000 in natural gas revenues. These figures equate to residential rate increases of 2.3 percent and 0.15 percent, respectively. The Industrial Customers of Northwest Utilities, representing large electric customers, also recommends a further reduction from the amount proposed in the settlement.

The Washington Utilities and Transportation Commission will hold a public comment hearing:
Date: October 11, 2005 • Time: 5 p.m.- 7 p.m.
Place: Ramada Inn-Spokane Airport, 8909 Airport Road, Spokane, Washington

Proposed Electric Price Increase Under the Settlement

The average proposed electric increase by customer class and rate schedule are as follows:

	Schedule No.	Original Prop. Increase	Settlement Increase
Residential	1	14.3%	9.5%
General Srvc. (sm. comm.)	11&12	7.9%	6.1%
Lg. General Srvc. (comm/sm. Industrial)	21&22	9.4%	6.7%
Ex. Lg. General Srvc (lg. industrial)	25	11.9%	8.3%
Pumping Service	31&32	10.8%	7.8%
Street & Area Lights	41-48	11.0%	7.8%

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The difference in the proposed increase percentages for the customer rate classes is based on a comparison of the cost of providing service to those customers and the present rates billed for service. The proposed monthly increase for a residential customer using an average of 1,000 kilowatt-hours (kwhs) per month is \$5.22. The present bill for 1,000 kwhs is \$55.09 and the bill with the proposed increase of \$5.22 would be \$60.31. The proposed increase for customers, as well as their individual monthly bill, will vary depending on their service schedule and monthly usage.

Proposed Natural Gas Price Increase Under the Settlement

The average proposed natural gas increase by customer class and rate schedule are as follows:

	Schedule No.	Original Prop. Change	Settlement Change
Residential & Sm. Commercial (less than 200 therms/mo)	101	2.1%	0.8%
Commercial & Industrial (over 200 therms/mo)	111	0.8%	0.4%
Lg. Comm. & Industrial (over 60,000 therms/yr)	121	0.7%	(1.5%)
Lg. Interruptible Srvc. (over 250,000 therms/yr)	131	(3.2%)	(3.2%)
Lg. Transportation Srvc. (over 250,000 therms/yr)	146	2.2%	1.2%*

*increase does not include gas cost

The proposed monthly increase for a residential customer using an average of 75 therms per month is 58 cents or 0.8 percent. The present bill for 75 therms is \$74.77 and the bill with the proposed increase of \$0.58 would be \$75.35. The proposed increase for customers, as well as their individual monthly bill, will vary depending on their service schedule and monthly usage.

How can you participate in the rate proposal process?

- (1) As noted above, you may attend the public comment hearing on Oct. 11, 2005, from 5 p.m. to 7 p.m. The hearing will be held at the Ramada Inn-Spokane Airport, 8909 Airport Rd, Spokane, WA.
- (2) You may contact the WUTC for questions or to share your comments by writing to: WUTC, P.O. Box 47250, Olympia, WA, 98504; by e-mail at comments@wutc.wa.gov, or by fax at (360)664-4291, or toll-free at (800)562-6150. For more information see the Commission's Web page at www.wutc.wa.gov. If you write, include your name and mailing address, the name of the company (Avista), and Docket Nos. UE-050482/ UG-050483.
- (3) The public is represented by the Public Counsel Section of the Washington State Attorney General. You can reach the Public Counsel Section at (206) 464-6907, or by writing to Office of Attorney General, 900 Fourth Avenue, Suite 2000, Seattle, WA 98164-1012, or by email at utility@atg.wa.gov.

The parties to the settlement agreement have requested that the WUTC rule on the proposed settlement on or before December 1, 2005. The WUTC can approve or reject the settlement agreement in its entirety, or approve it with conditions or modifications.