

**Avista Corp.**  
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Spokane, Washington 99220-0500  
Telephone 509-489-0500  
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December 20, 2007

Oregon Public Utility Commission  
Attn: Vikie Bailey-Goggins  
Administrative Regulatory Operations  
550 Capitol St. N.E. Suite 215  
Salem, OR 97308-2551

RE: UG181 - Partial Stipulation Regarding Cost of Capital

Avista Corporation d/b/a/ Avista Utilities, hereby submits for filing an original and one copy of the Partial Stipulation Regarding Cost of Capital in UG 181.

The parties to the Partial Stipulation intend to file joint testimony in support of the Stipulation after the settlement conference on January 10, 2008, addressing the remaining issues in this docket. At that time, the parties can better assess whether any filed joint testimony can be expanded to address other issues that may have been resolved through the settlement process.

Sincerely,

A handwritten signature in black ink, appearing to read "David Meyer", with a horizontal line extending to the right.

David Meyer  
Vice President and Chief Counsel  
Avista Corporation  
509-495-4316  
David.Meyer@avistacorp.com

enclosures

**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON**

UG 181

|                                    |   |                     |
|------------------------------------|---|---------------------|
| In the Matter of                   | ) |                     |
|                                    | ) |                     |
| AVISTA CORPORATION, dba AVISTA     | ) | PARTIAL STIPULATION |
| UTILITIES                          | ) | REGARDING COST      |
|                                    | ) | OF CAPITAL          |
| Request for General Rate Revision. | ) |                     |
|                                    | ) |                     |
|                                    | ) |                     |
|                                    | ) |                     |

This Stipulation is entered into for the purpose of resolving the cost of capital component of Avista Corporation’s (Avista) requested revenue requirement in this Docket. This Stipulation does not concern other revenue requirement issues nor does it address rate spread or rate design issues.

**PARTIES**

The Parties to this Stipulation are Avista, the Staff of the Public Utility Commission of Oregon (Staff), the Citizen’s Utility Board (CUB), and the Northwest Industrial Gas Users (NWIGU) (collectively, “Parties”).

**BACKGROUND**

1. On or about October 12, 2007, Avista filed revised tariff schedules to effect a general rate increase for Oregon retail customers of approximately \$2,975,000 or 2.3 percent of its annual revenues. The filing was suspended by the Commission at its November 20, 2007 public meeting.

2. On December 11, 2007, the Parties held a settlement conference on the cost of capital issue only. The settlement conference was open to all Parties in this docket.

3. As a result of the settlement conference, the Parties have agreed to settle the cost of capital issue on the following terms.

**AGREEMENT**

4. The Parties agree that Avista’s cost of capital component will be settled on the terms shown in the following table:

| <b>Capital Component</b>   | <b>Cost</b> | <b>Ratio</b>   | <b>Weighted Cost</b> |
|----------------------------|-------------|----------------|----------------------|
| Long-Term Debt             | 6.40%       | 45.00%         | 2.88%                |
| Trust Preferred Securities | 6.57%       | 5.00%          | 0.33%                |
| Preferred Stock            | 0.00%       | 0.00%          | 0.00%                |
| Common Equity              | 10.00%      | 50.00%         | 5.00%                |
| <b>Total</b>               |             | <b>100.00%</b> | <b>8.21%</b>         |

5. The Parties agree that the Cost of Equity includes the recovery of all costs associated with the issuance of common stock (e.g. flotation costs).

6. The Parties agree that this Stipulation is in the public interest and results in an overall fair, just and reasonable outcome.

7. The Parties agree this Stipulation represents a compromise in the positions of the Parties. As such, conduct, statements, and documents disclosed in the negotiation of this Stipulation shall not be admissible as evidence in this or any other proceeding. Further, this Stipulation sets forth the entire agreement between the Parties and supersedes any and all prior communications, understandings, or agreements, oral or written, between the Parties pertaining to the subject matter of this Stipulation.

8. This Stipulation will be offered into the record in this proceeding as evidence pursuant to OAR 860-014-0085. The Parties agree to support this Stipulation throughout this proceeding and any appeal. The Parties further agree to provide witnesses to sponsor this Stipulation at the hearing, or, in a party's discretion, to provide a representative at the hearing authorized to respond to the Commission's questions on the party's position as may be appropriate.

9. If this Stipulation is challenged by any other party to this proceeding, the Parties to this Stipulation reserve the right to cross-examine witnesses and put on such case as they deem appropriate to respond fully to this issues presented, including the right to raise issues that are incorporated in the settlement embodied in this Stipulation. Notwithstanding this reservation of rights, the Parties agree that they will continue to support the Commission's adoption of the terms of this Stipulation.

10. Should the Commission fail to adopt the Stipulation, or should the Commission materially modify the Stipulation, any Party hereto shall have the right to withdraw from the Stipulation and proceed with a resolution of all issues in this proceeding.

11. By entering into this Stipulation, no Party shall be deemed to have approved, admitted, or consented to the facts, principles, methods, or theories employed by any other Party in arriving at the terms of this Stipulation. No Party shall be deemed to have agreed that any provision of this Stipulation is appropriate for resolving the issues in any other proceeding.

12. This Stipulation may be executed in counterparts and each signed counterpart shall constitute an original document. The Parties further agree that any facsimile copy of a Party's signature is valid and binding to the same extent as an original signature.

13. This Stipulation may not be modified or amended except by written agreement among all Parties who have executed it.

This Stipulation is entered into by each Party on the date entered below such Party's signature.

DATED this 20<sup>th</sup> day of December, 2007

AVISTA CORPORATION

STAFF OF THE PUBLIC UTILITY  
COMMISSION OF OREGON

By: [Signature]

By: \_\_\_\_\_

Date: 12/20/07

Date: \_\_\_\_\_

NORTHWEST INDUSTRIAL GAS USERS

CITIZENS' UTILITY BOARD

By: \_\_\_\_\_

By: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

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This Stipulation is entered into by each Party on the date entered below such Party's signature.

DATED this 20<sup>th</sup> day of December, 2007

AVISTA CORPORATION

STAFF OF THE PUBLIC UTILITY  
COMMISSION OF OREGON

By: \_\_\_\_\_

By:  \_\_\_\_\_

Date: \_\_\_\_\_

Date: 12/20/07 \_\_\_\_\_

NORTHWEST INDUSTRIAL GAS USERS

CITIZENS' UTILITY BOARD

By: \_\_\_\_\_

By: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

13. This Stipulation may not be modified or amended except by written agreement among all Parties who have executed it.

This Stipulation is entered into by each Party on the date entered below such Party's signature.

DATED this 20<sup>th</sup> day of December, 2007

AVISTA CORPORATION

STAFF OF THE PUBLIC UTILITY  
COMMISSION OF OREGON

By: \_\_\_\_\_

By: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

NORTHWEST INDUSTRIAL GAS USERS

CITIZENS' UTILITY BOARD

By: Paula E. Pyron

By: \_\_\_\_\_

Date: 12/20/07

Date: \_\_\_\_\_

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DATED this \_\_\_\_\_ day of December, 2007

AVISTA CORPORATION

STAFF OF THE PUBLIC UTILITY  
COMMISSION OF OREGON

By: \_\_\_\_\_

By: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

NORTHWEST INDUSTRIAL GAS USERS

CITIZENS' UTILITY BOARD

By: \_\_\_\_\_

By: Pat Gules

Date: \_\_\_\_\_

Date: 12-20-07



## CERTIFICATE OF SERVICE

I **HEREBY CERTIFY** that I have this day served Avista Corporation's partial Stipulation Regarding Cost of Capital in Docket UG-181, upon the parties listed below by mailing a copy thereof, postage prepaid and/or by electronic mail.

Judy Johnson  
Public Utility Commission  
PO Box 2148  
Salem, OR 97308-2148  
[Judy.johnson@state.or.us](mailto:Judy.johnson@state.or.us)

Citizens' Utilities Board  
610 SW Broadway, Suite 308  
Portland, OR 97205-3404  
[Jason@OregonCUB.org](mailto:Jason@OregonCUB.org)  
[Bob@OregonCUB.org](mailto:Bob@OregonCUB.org)  
[Lowrey@OregonCUB.org](mailto:Lowrey@OregonCUB.org)

David Hatton  
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4113 Wolf Berry Ct.  
Lake Oswego, OR 97035-1827  
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1001 SW Fifth Ave., Suite 2000  
Portland, OR 97204-1136  
[efinklea@chbh.com](mailto:efinklea@chbh.com)  
[cstokes@chbh.com](mailto:cstokes@chbh.com)

Dated at Spokane, Washington this 20th day of December 2007.

  
\_\_\_\_\_  
Patty Olsness