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February 27, 2008

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

RE: UG181 – Joint Testimony & Exhibits

Avista Corporation d/b/a/ Avista Utilities, hereby submits for filing an original and five copies of Joint Testimony and Exhibits in UG 181.

Sincerely,

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

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

Enclosures
cc: Service List

CERTIFICATE OF SERVICE

I **HEREBY CERTIFY** that I have this day served Joint Testimony & Exhibits in Docket UG-181, upon the parties listed below by mailing a copy thereof, postage prepaid and/or by electronic mail when paper service has been waived.

Judy Johnson
Public Utility Commission
PO Box 2148
Salem, OR 97308-2148
Judy.johnson@state.or.us

W Citizens' Utilities Board
610 SW Broadway, Suite 308
Portland, OR 97205-3404
Jason@OregonCUB.org
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W Paula Pyron
Northwest Industrial Gas Users
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W Edward A. Finklea
Chad M. Stokes
Cable Huston Benedicet Haagensen & Lloyd LLP
1001 SW Fifth Ave., Suite 2000
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Dated at Spokane, Washington this 27th day of February 2008.



Docket UG 181
Stipulating Parties Exhibit 100
Garcia, Norwood, Jenks and Pyron

BEFORE THE
PUBLIC UTILITY COMMISSION OF OREGON

JOINT TESTIMONY OF DEBORAH GARCIA,
KELLY NORWOOD, BOB JENKS AND PAULA PYRON

**In Support of
Partial Stipulation Regarding Cost of Capital
and
Stipulation Resolving All Remaining Revenue Requirement
and Rate Spread/Rate Design Issues**

February 2008

1 **Q. Please state your names and positions.**

2 A. My name is Deborah Garcia. I am employed by the Public Utility Commission of
3 Oregon (“PUC”) as a Senior Revenue Requirement Analyst in the Electric and
4 Natural Gas Section. I am testifying on behalf of the Staff of the PUC (“Staff”). I
5 joined the PUC in 1989 and I have provided testimony and comments on policy and
6 financial issues in a variety of PUC dockets.

7 My name is Kelly O. Norwood. I am employed by Avista Corporation (“the
8 Company”) as the Vice-President of State & Federal Regulation. I am a graduate of
9 Eastern Washington University with a Bachelor of Arts Degree in Business
10 Administration, majoring in Accounting. I joined the Company in June of 1981.
11 Over the past 26 years, I have spent approximately 15 years in the Rates Department
12 with involvement in cost of service, rate design, revenue requirements and other
13 aspects of ratemaking. I spent approximately 11 years in the Energy Resources
14 Department (power supply and natural gas supply) in a variety of roles, with
15 involvement in resource planning, system operations, resource analysis, negotiation
16 of power contracts, and risk management. I was appointed Vice-President of State
17 & Federal Regulation in March 2002.

18 My name is Bob Jenks. I am the Executive Director of the Citizens’ Utility
19 Board (“CUB”). I am a graduate of Willamette University with a Bachelor of
20 Science Degree in Economics. I have provided testimony and comments in a variety
21 of PUC dockets. Between 1982 and 1991, I worked for the Oregon State Public
22 Interest Research Group, the Massachusetts Public Interest Group and the Fund for
23 Public Interest Research on a variety of public policy issues. As Executive Director,

1 my responsibilities include the review of all filings in Oregon and to represent the
2 customers' concerns that have arisen from this Docket.

3 My name is Paula E. Pyron. I am an experienced energy law attorney serving
4 the last seven years as the Executive Director of the Northwest Industrial Gas Users
5 (“NWIGU”). In addition to my 25 years of energy law experience, I have a Bachelor
6 of Science in Economics from the University of Texas at Dallas. NWIGU is a non-
7 profit trade association of 33 industrial-sized natural gas end users who have facilities
8 in the states of Oregon, Washington and Idaho. NWIGU provides information to its
9 members on natural gas issues that impact their facilities and represents its members’
10 interests in proceedings before the Federal Energy Regulatory Commission and the
11 Pacific Northwest state utility commissions, including the PUC of Oregon. As
12 Executive Director, my responsibilities include the review of all filings made by
13 LDCs in Oregon as well as the representation of the industrial customers’ issues in
14 connection with this Docket.

15 Hereafter, Staff, the Company, CUB and NWIGU will collectively be
16 referred to as the “Parties.”

17 **Q. What is the purpose of your joint testimony?**

18 A. The purpose of our joint testimony is to describe and support two Stipulations, filed
19 on December 20, 2007 and February 22, 2008, between Commission Staff, CUB,
20 NWIGU, and the Company in Docket UG 181 (the “Stipulations”), which together
21 resolved all issues in the Company’s filing.

22 The two Stipulations are the product of settlement discussions, open to all
23 parties to the UG 181 Docket. The first Stipulation between the Parties, signed

1 December 20, 2007, resolved all issues associated with the calculation of the
2 Company's authorized cost of capital, including capital structure and cost
3 components. The second Stipulation, signed February 22, 2008, incorporated the
4 impact of the December 20, 2007 Cost of Capital Stipulation on revenue
5 requirement, and further resolved all remaining revenue requirement, rate spread and
6 rate design issues. We will refer to all revenue requirement issues discussed by the
7 number assigned to them by Staff in this proceeding

8 **Q. Have you prepared any Exhibits?**

9 A. Yes. The Parties' Exhibit 101 is the Partial Stipulation Regarding Cost of Capital
10 filed December 20, 2007. The Parties' Exhibit 102 is the Stipulation Resolving All
11 Remaining Revenue Requirement and Rate Spread/Rate Design Issues filed
12 February 22, 2008.

13 **Revenue Requirement for Rate Changes proposed to be Effective April 1, 2008**

14 **Q. What issues are included in the Stipulation appearing in Exhibit 102?**

15 A. The Stipulation in Attachment A, at page 6, provides a summary of Staff issues S-0
16 through S-9.

17 **Q. What is the basis of the Stipulation relating to the Issue S-0, Rate of Return?**

18 A. The Parties' Exhibit 101 is the Partial Stipulation Regarding Cost of Capital filed
19 December 20, 2007. The stipulated revenue requirement can be derived from the
20 structure agreed to in that Stipulation, detailed as follows:
21

	Ratio	Cost	Weighted Cost
Long-Term Debt	45.00%	6.40%	2.88%
Trust Preferred Securities	5.00%	6.57%	0.34%

Preferred Stock	0.00%	0.00%	0.00%
Common Equity	50.00%	10.00%	5.00%
TOTAL			8.21%

1

2 **Q. What is the basis of the Stipulation relating to the Issue S-1, Rate Base?**

3 A. This adjustment removes pro formed capital projects due to be in service after March
4 2008, since the assets are not currently used and useful. These pro formed capital
5 projects that will be in service by month-end, October 2008 will be included in base
6 rates effective November 1, 2008 and are discussed further below.

7 **Q. What is the basis of the Stipulation relating to the Issue S-2, Administrative and
8 General?**

9 A. This adjustment removes A&G expenses that were either incorrectly allocated to
10 Oregon or to be consistent with Commission ratemaking policy.

11 **Q. What is the basis of the Stipulation relating to the Issue S-3, Advertising and
12 Sales Expense?**

13 A. This adjustment removes expenses related to promotional advertising or the retention
14 of customers.

15 **Q. What is the basis of the Stipulation relating to the Issue S-4, Bonuses and
16 Incentives?**

17 A. This adjustment removes 100% of executive incentives and 30% of non-executive
18 incentives.

19 **Q. What is the basis of the Stipulation relating to the Issue S-5, Out-of-Period
20 Labor Adjustment?**

21 A. This adjustment removes 50% of the pro formed labor adjustment.

1 **Q. What is the basis of the Stipulation relating to the Issue S-6, Wages and**
2 **Salaries?**

3 A. This adjustment reduces the Company's test year expense due to application of the
4 PUC's 3-year General Wage formula to calculate the allowed wage level for both
5 union and non-union personnel for the test period.

6 **Q. What is the basis of the Stipulation relating to the Issue S-7, General Business**
7 **Revenues?**

8 A. This adjustment reduces test year revenues due to Staff's changes to the Company's
9 weather normalization model.

10 **Q. What is the basis of the Stipulation relating to the Issue S-8, Property Taxes?**

11 A. This adjustment adjusts test year expenses to actual.

12 **Q. What is the basis of the Stipulation relating to the Issue S-9, Interest**
13 **Synchronization?**

14 A. This adjustment reduces the income tax benefit of interest expense using the
15 stipulated weighted cost of debt of 3.21 percent.

16 **Q. On an overall basis, do the Parties believe that these adjustments produce a**
17 **revenue requirement that is just and reasonable?**

18 A. Yes. That is why we support this Stipulation, notwithstanding the fact that we each
19 hold different positions on the individual adjustments included in the Stipulation.

20 **Revenue Requirement for Rate Changes proposed to be Effective November 1, 2008**

21 **Q. What projects are included in the Stipulation?**

22 A. The East Medford Reinforcement capital project and the dedication of the Jackson
23 Prairie Storage to Oregon are included.

1 **Q. What is the East Medford Reinforcement Project and the associated revenue**
2 **requirement?**

3 A. This project is meant to provide reinforcement of the Company's distribution
4 system, thereby allowing for additional gas deliveries in anticipation of future load
5 growth in the Company's Medford service area. The first phases of this Project are
6 planned for completion prior to November 1, 2008. The Parties have agreed to
7 further adjust Base Rates on November 1, 2008, coincident with the Company's
8 PGA rate adjustment, to reflect the net rate-based capital additions associated with
9 this Project, presently estimated at \$4,808,598. (See Exhibit 102, Attachment B.)
10 The additional revenue requirement associated with this Project, based on current
11 cost estimates, is \$693,279.

12 **Q. Describe the dedication of the Jackson Prairie storage to Oregon and the**
13 **associated revenue requirement.**

14 A. The Company is a one-third (1/3) owner of an underground gas storage facility
15 located near Chehalis, Washington. Previously, all of the Company's retained share
16 of the capacity and deliverability of the Storage Project was dedicated to serving
17 customers in the States of Washington and Idaho. The Company is participating in
18 expansions of the Storage Project, and has proposed to dedicate approximately 25%
19 of the expansions currently underway to serve Oregon customers. (See Direct
20 Testimony of Kevin Christie, Exh. 400, pp. 5-10; and Exh. 401, pp. 2-3) Oregon's
21 share of the net rate base associated with the Storage Project expansion is currently
22 estimated at \$4,857,861 and the related revenue requirement is \$724,376. (See
23 Exhibit 102, Attachment C.)

1 **Q. Describe the process for changing base rates effective November 1, 2008 for**
2 **these projects.**

3 A. The Parties have agreed that the Company will submit a compliance filing on or
4 before November 1, 2008, that will (i) provide a “certificate of completion” for these
5 projects, attesting to the status of the rate base additions as “in-service” and “used-
6 and-useful” for providing service; and (ii) adjust Base Rates on November 1, 2008,
7 coincident with the Company’s PGA adjustment, to reflect the lower of the actual
8 costs of the capital additions or current cost estimates.

9 **Resolution of Rate Design and Rate Spread Issues**

10 **Q. What is the basis of the Stipulation relating to the rate design and rate spread?**

11 A. The Parties agree the revenue increase of \$866,000 to be effective April 1, as well as
12 the estimated revenue increase of \$693,000 related to the East Medford Lateral
13 effective November 1, will be spread to the Company’s various service schedules
14 based on cost of service considerations. The results of the cost of service studies
15 prepared by the Company and the Commission Staff in this Docket show that the
16 present rates for Residential Schedule 410, General Service Schedule 420 and
17 Transportation Service Schedule 456 are below the cost of service, while the studies
18 show that the rates for Large General Service 424, Interruptible Service Schedule
19 440 and Seasonal Service Schedule 444 exceed the cost of service. As such, the
20 Parties agree that the rates for Schedules 424 and 444 should be reduced by 2.0% on
21 both April 1 and November 1 and that the rates for Schedule 440 should be reduced
22 by 1.75% on both April 1 and November 1. A uniform percentage increase of 0.87%
23 would be applied to Schedules 410, 420 and 456 effective April 1 and a uniform

1 percentage increase of 0.73% would be applied to those Schedules effective
2 November 1. (See Exhibit 102, Attachment D.)

3 **Q. What other terms does the Stipulation contain associated with rate design and**
4 **rate spread?**

5 A. Based on the results of the cost of service studies, the monthly customer charges
6 under Residential Schedule 410 and General Service Schedule 420 will be increased
7 by \$0.50 and \$1.00 per month, respectively, on April 1 and November 1. The
8 customer charge under Large General Service Schedule 424 will be decreased by
9 \$9.50 per month on April 1 and November 1. The Parties also agree that the annual
10 minimum charge under Interruptible Service Schedule 440 be revised to reflect an
11 annual minimum usage requirement of 50,000 therms, as proposed in the Company's
12 direct testimony. After giving effect to these customer charge changes, the revenue
13 increase/decrease for each of the schedules is achieved through the appropriate
14 increase/decrease in the usage charge(s).

15 **Q. What terms does the Stipulation contain associated with rate design and rate**
16 **spread for the Jackson Prairie Storage?**

17 A. The estimated revenue increase of \$724,000 associated with the Jackson Prairie
18 Underground Storage Project on November 1, 2008, will be allocated to the
19 Company's service schedules based on the methodology approved by the
20 Commission for Northwest Natural's allocation of underground storage costs related
21 to their MIST facility. This methodology reflects an estimate of the utilization of
22 underground storage for the mitigation of gas commodity costs as well as pipeline
23 balancing. Accordingly, the revenue increase will be allocated in the following

1 manner: 1) 86% to all sales service schedules, and 2) 14% to all service schedules
2 including Transportation Schedule 456. The revenue increase associated with each
3 of these two components is spread to the applicable service schedules based on sales
4 volumes/throughput and recovered through an increase in the usage charge(s) under
5 each Schedule. (See Exhibit 102, Attachment D.)

6 **Q. What other terms do the Stipulations include?**

7 A. Stipulations represent negotiated compromises among the Parties. Thus, the Parties
8 have agreed that no particular party shall be deemed to have approved the facts,
9 principles, methods, or theories employed by any other in arriving at these
10 Stipulations, and that the terms incorporated in these Stipulations should not be
11 viewed as precedent setting in subsequent proceedings. In addition, the Parties have
12 the right to withdraw from either Stipulation if any material part is rejected or
13 modified by the Commission.

14 **Conclusion**

15 **Q. Do these Stipulations represent a complete resolution of all issues in this**
16 **docket?**

17 A. Yes.

18 **Q. What do the Parties recommend regarding the Stipulations?**

19 A. We recommend that the Commission adopt the Stipulations in their entirety.

20 **Q. Does this conclude your joint testimony?**

21 A. Yes.

BEFORE THE
PUBLIC UTILITY COMMISSION OF OREGON

EXHIBIT 101 – PARTIAL STIPULATION

**In Support of
Partial Stipulation Regarding Cost of Capital
and
Stipulation Resolving All Remaining Revenue Requirement
and Rate Spread/Rate Design Issues**

**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:

Capital Component	Cost	Ratio	Weighted Cost
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%
Total		100.00%	8.21%

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 20th day of December, 2007

AVISTA CORPORATION

STAFF OF THE PUBLIC UTILITY
COMMISSION OF OREGON

By: 
Date: 12/20/07

By: _____
Date: _____

NORTHWEST INDUSTRIAL GAS USERS

CITIZENS' UTILITY BOARD

By: _____
Date: _____

By: _____
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 20th 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 20th 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: _____

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 _____ 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

BEFORE THE
PUBLIC UTILITY COMMISSION OF OREGON

EXHIBIT 102 –STIPULATION RESOLVING
REMAINING ISSUES

**In Support of
Partial Stipulation Regarding Cost of Capital
and
Stipulation Resolving All Remaining Revenue Requirement
and Rate Spread/Rate Design Issues**

1 requirement associated with that stipulation is reflected in the overall revenue requirement
2 agreed to by the Parties in this Stipulation.

3 3. On January 29, 2008, Staff served on all of the Parties its report of issues and
4 proposed adjustments to Avista's revenue requirement filing. Staff's report was provided for
5 settlement purposes only.

6 4. Pursuant to Administrative Law Judge Sarah K. Wallace's Prehearing Conference
7 Report of December 4, 2007, settlement conferences were scheduled for December 11, 2007,
8 January 10, 2008 and February 12, 2008. The settlement conferences were open to all parties in
9 this Docket.

10 5. As a result of the settlement discussions, the Parties have agreed to settle the
11 revenue requirement and rate spread/design issues on the following terms, subject to the approval
12 of the Commission.

13 AGREEMENT

14 6. **Revenue Requirement:** The Parties agree that Avista's revenue requirement
15 request will be reduced to reflect the adjustments listed on Attachment A to this Stipulation.
16 Moreover, the Parties agree that these adjustments to revenue, expense, and rate base items
17 should be incorporated into the Commission's determination of the Company's revenue
18 requirement in this Docket. The adjustments listed on Attachment A, including revisions to cost
19 of capital issues, amount to a reduction in Avista's revenue requirement request from \$2,975,000
20 to \$866,000 to be reflected in new Base Rates effective April 1, 2008. Additional items resulting
21 in a further change to Base Rates on November 1, 2008, are set forth in Section 8, below. This
22 Stipulation represents the settlement of all revenue requirement issues in the Company's filing

1 and incorporates the impact of the earlier signed Cost of Capital Stipulation dated December 20,
2 2007.

3 **7. Rate Changes Proposed To Be Effective April 1, 2008:** The increased revenue
4 requirement of \$866,000, as set forth in paragraph 6, will become effective April 1, 2008, with
5 compliance tariffs filed reflecting the impact on each customer schedule, as set forth in
6 Attachment D.

7 **8. Rate Changes Proposed To Be Effective November 1, 2008:**

8 **A. East Medford Reinforcement Project.** This Project is meant to provide
9 reinforcement of the Company's distribution system, thereby allowing for additional gas
10 deliveries in anticipation of future load growth in the Company's Medford service area. The first
11 phases of this Project are planned for completion prior to November 1, 2008. The Parties have
12 agreed to further adjust Base Rates on November 1, 2008, coincident with the Company's PGA
13 rate adjustment, to reflect the net rate-based capital additions associated with this Project,
14 presently estimated at \$4,808,598. (See Attachment B) The additional revenue requirement
15 associated with this Project, based on current cost estimates, is \$693,279.

16 The Parties have agreed that the Company will submit a compliance filing on or before
17 November 1, 2008, that will (i) provide a "certificate of completion" for these phases of the
18 Project, attesting to the status of the rate base additions as "in-service" and "used-and-useful" for
19 providing service; and (ii) adjust Base Rates on November 1, 2008, coincident with the
20 Company's PGA adjustment, to reflect the lower of the actual costs of the capital additions or
21 current cost estimates (as discussed above).

22 **B. Dedication of Jackson Prairie Storage to Oregon.** The Company is a one-third
23 (1/3) owner of an underground gas storage facility located near Chehalis, Washington.

1 Previously, all of the Company's retained share of the capacity and deliverability of the Storage
2 Project was dedicated to serving customers in the States of Washington and Idaho. The
3 Company is participating in expansions of the Storage Project, and has proposed to dedicate
4 approximately 25% of the expansions currently underway to serve Oregon customers. (See
5 Direct Testimony of Kevin Christie, Exh. 400, pp. 5-10; and Exh. 401, pp. 2-3) Oregon's share
6 of the net rate base associated with the Storage Project expansion is currently estimated at
7 \$4,857,861 and the related revenue requirement is \$724,376. (See Attachment C)

8 The Parties have agreed that the Company will submit a compliance filing on or before
9 November 1, 2008, that will (i) provide a "certificate of completion" for these phases of the
10 Storage Project, attesting to the status of the rate base additions as "in-service" and "used-and-
11 useful" for providing service; and (ii) adjust Base Rates on November 1, 2008, coincident with
12 the Company's PGA adjustment, to reflect the lower of the actual costs of the capital additions or
13 current cost estimates (as discussed above).

14 **9. Rate Design/Rate Spread:** The Parties agree that the stipulated revenue
15 requirement increase on April 1 and November 1, 2008, will be spread to customer classes as
16 outlined in Attachment D to this Stipulation. The rate design changes, as agreed upon, are also
17 shown in Attachment D.

18 **A. Allocation of Increase in Revenue Requirement on April 1 and November 1,**
19 **2008.** The revenue increase of \$866,000 to be effective April 1, as well as the estimated
20 revenue increase of \$693,000 related to the East Medford Lateral effective November 1, will be
21 spread to the Company's various service schedules based on cost of service considerations. The
22 results of the cost of service studies prepared by the Company and the Commission Staff in this
23 Docket show that the present rates for Residential Schedule 410, General Service Schedule 420

1 and Transportation Service Schedule 456 are below the cost of service, while the studies show
2 that the rates for Large General Service 424, Interruptible Service Schedule 440 and Seasonal
3 Service Schedule 444 exceed the cost of service. As such, the Parties agree that the rates for
4 Schedules 424 and 444 should be reduced by 2.0% on both April 1 and November 1 and that the
5 rates for Schedule 440 should be reduced by 1.75% on both April 1 and November 1. A uniform
6 percentage increase of 0.87% would be applied to Schedules 410, 420 and 456 effective April 1
7 and a uniform percentage increase of 0.73% would be applied to those Schedules effective
8 November 1.

9 **B. Adjustments to Customer Charges.** Also based on the results of the cost of
10 service studies, the monthly customer charges under Residential Schedule 410 and General
11 Service Schedule 420 will be increased by \$0.50 and \$1.00 per month, respectively, on April 1
12 and November 1. The customer charge under Large General Service Schedule 424 will be
13 decreased by \$9.50 per month on April 1 and November 1. The Parties also agree that the annual
14 minimum charge under Interruptible Service Schedule 440 be revised to reflect an annual
15 minimum usage requirement of 50,000 therms, as proposed in the Company's direct testimony.
16 After giving effect to these customer charge changes, the revenue increase/decrease for each of
17 the schedules is achieved through the appropriate increase/decrease in the usage charge(s).

18 **C. Allocation of Increase in Revenue Requirement associated with Jackson**
19 **Prairie Storage.** The estimated revenue increase of \$724,000 associated with the Jackson
20 Prairie Underground Storage Project on November 1, 2008, will be allocated to the Company's
21 service schedules based on the methodology approved by the Commission for Northwest
22 Natural's allocation of underground storage costs related to their MIST facility. This
23 methodology reflects an estimate of the utilization of underground storage for the mitigation of

1 gas commodity costs as well pipeline balancing. Accordingly, the revenue increase will be
2 allocated in the following manner: 1) 86% to all sales service schedules, and 2) 14% to all
3 service schedules including Transportation Schedule 456. The revenue increase associated with
4 each of these two components is spread to the applicable service schedules based on sales
5 volumes/throughput and recovered through an increase in the usage charge(s) under each
6 Schedule.

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

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

15 12. This Stipulation will be offered into the record in this proceeding as evidence
16 pursuant to OAR 860-014-0085. The Parties agree to use best efforts to prepare and submit the
17 Stipulation and supporting materials to the Commission in time to permit the Commission to put
18 rates into effect by April 1, 2008. The Parties agree to support this Stipulation throughout this
19 proceeding and any appeal. The Parties further agree to provide witnesses to sponsor the
20 Stipulation at any hearing held, or, in a Party's discretion, to provide a representative at the
21 hearing authorized to respond to the Commission's questions on the Party's position as may be
22 appropriate.

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

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

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

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

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


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

3
4
5

DATED this 22nd day of February, 2008.

6 AVISTA CORPORATION
7
8
9

STAFF OF THE PUBLIC UTILITY
COMMISSION OF OREGON

10
11 By: 
12
13 Date: 2/22/08
14

By: _____
Date: _____

15
16
17 NORTHWEST INDUSTRIAL GAS USERS

CITIZENS' UTILITY BOARD

18
19
20
21 By: _____
22
23 Date: _____
24

By: _____
Date: _____

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

3

4 DATED this _____ day of February, 2008.

5

6 AVISTA CORPORATION

STAFF OF THE PUBLIC UTILITY
COMMISSION OF OREGON

7

8

9

10

11 By: _____

By: David B. Hatton

12

13 Date: _____

Date: February 21, 2008

14

15

16

17 NORTHWEST INDUSTRIAL GAS USERS

CITIZENS' UTILITY BOARD

18

19

20

21 By: _____

By: _____

22

23 Date: _____

Date: _____

24

25

26

27

28

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

3
4 DATED this _____ day of February, 2008.

5
6 AVISTA CORPORATION

STAFF OF THE PUBLIC UTILITY
COMMISSION OF OREGON

7
8
9
10
11 By: _____

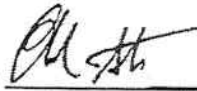
By: _____

12
13 Date: _____

Date: _____

14
15
16
17 NORTHWEST INDUSTRIAL GAS USERS

CITIZENS' UTILITY BOARD

18
19
20
21 By:  Chad Stokes

By: _____

22
23 Date: 2/22/08

Date: _____

24
25
26
27
28

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

3
4 DATED this 22 day of February, 2008.

5

6 AVISTA CORPORATION

STAFF OF THE PUBLIC UTILITY
COMMISSION OF OREGON

7

8

9

10

11 By: _____

By: _____

12

13 Date: _____

Date: _____

14

15

16

17 NORTHWEST INDUSTRIAL GAS USERS

CITIZENS' UTILITY BOARD

18

19

20 By: _____

By: Bl Nelson

21

22 Date: _____

Date: Feb. 22, 2008

23

24

25

26

27

28

Avista Utilities UG 181
Results of Operations
Twelve months ending December 31, 2006
(\$000)

	2006 Company Adjusted Results (a)	Staff Rate Case And Audit Adjustments (b)	Staff Adjusted Results (c)	Required Change for Reasonable Return of Equity (d)	Results at Reasonable Return (e)
1	Operating Revenues				
2	Total General Business	146	124,680	0.7%	125,546
3	Total Transportation	0	2,880	0	2,880
4	Other Revenues	0	113	0	113
5	Total Operating Revenues	<u>\$146</u>	<u>\$127,673</u>	<u>\$865</u>	<u>\$128,539</u>
6	Operating Expenses				
7	Gas Purchased	0	95,331	0	95,331
8	Operation & Maintenance	-218	8,656	5	8,661
9	Administration and General	-292	5,616	3	5,619
10	Taxes Other than Income	25	4,076	17	4,093
11	Depreciation & Amortization	-45	3,888	0	3,888
12	Total Operating Expenses	<u>-\$530</u>	<u>\$117,567</u>	<u>\$24</u>	<u>\$117,591</u>
13	Operating Income Before FIT	<u>\$676</u>	<u>\$10,106</u>	<u>\$842</u>	<u>\$10,948</u>
14	Income Taxes				
15	Current Federal Income Taxes	\$315	3,479	293	3,772
16	Deferred Federal Income Taxes	\$0	-690	0	-690
17	State Income Taxes	\$5	518	4	522
18	Total Income Taxes	<u>\$320</u>	<u>\$3,307</u>	<u>\$297</u>	<u>\$3,604</u>
19	Net Operating Income	<u>\$356</u>	<u>\$6,799</u>	<u>\$545</u>	<u>\$7,344</u>
20	Average Rate Base				
21	Utility Plant in Service	-3,153	180,782	0	180,782
22	Less: Accum Depr & Amort	10	-76,188	0	-76,188
23	Net Utility Plant	<u>-\$3,143</u>	<u>\$104,594</u>	<u>\$0</u>	<u>\$104,594</u>
24	Accumulated Deferred FIT	24	-16,112	0	-16,112
25	Inventory & Other	0	971	0	971
26	Total Average Rate Base	<u>-\$3,119</u>	<u>\$89,453</u>	<u>\$0</u>	<u>\$89,453</u>
27	Rate of Return	6.96%	7.60%		8.21%
28	Implied Return on Equity	7.06%	8.31%		10.00%

Avista Utilities UG 181
Adjustments to Results of Operations
Twelve Months ending December 31, 2006
(\$000)

	Rate Base Accum. DFIT, Depr & Expense (S-1)	Administrative and General (S-2)	Advertising and Sales Expense (S-3)	Bonuses and Incentives (S-4)	Out of period Labor Adjustment (S-5)	Wages and Salaries (S-6)	Gen. Business Revenues Schedule 410 (S-7)	Property Tax Adjustment (S-8)	Interest Synchronization Adjustment (S-9)	Total Adjustments
1 Operating Revenues										
2 Total General Business	0	0	0	0	0	0	146	0	0	146
3 Total Transportation	0	0	0	0	0	0	0	0	0	0
4 Other Revenues	0	0	0	0	0	0	0	0	0	0
5 Total Operating Revenues	\$0	\$0	\$0	\$0	\$0	\$0	\$146	\$0	\$0	146
6 Operating Expenses										
7 Gas Purchases	0	0	0	0	0	0	0	0	0	0
8 Operation and Maintenance	0	0	-70	0	-142	0	0	0	0	-218
9 Administration & General	0	-91	-15	-137	-49	-6	0	0	0	-282
10 Taxes Other than Income	-48	0	0	0	0	0	0	73	0	25
11 Depreciation & Amortization	-45	0	0	0	0	0	0	0	0	-45
12 Current Federal Income Taxes	67	32	30	48	66	2	51	-28	45	315
13 Deferred Federal Income Taxes	0	0	0	0	0	0	0	0	0	0
14 State Income Taxes	1	0	0	0	1	0	0	0	0	1
15 Total Operating Expenses	-\$29	-\$59	-\$55	-\$86	-\$124	-\$4	\$52	-\$47	\$46	-\$210
16 Net Operating Income	\$25	\$59	\$55	\$88	\$124	\$4	\$94	-\$47	-\$46	\$358
17 Rate Base										
18 Utility Plant In Service	-3,150	0	0	0	0	0	0	0	0	-3,150
19 Accumulated Depreciation	10	0	0	0	0	0	0	0	0	10
20 Net Utility Plant	-\$3,140	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	-\$3,140
23 Accumulated Deferred Income Taxes	24	0	0	0	0	0	0	0	0	24
24 Inventory & Other	0	0	0	0	0	0	0	0	0	0
25 Total Average Rate Base	-\$3,116	\$0	\$0	\$0	\$0	-\$3	\$0	\$0	\$0	-\$3,119
26 Revenue Requirement Effect	-\$447	-\$94	-\$87	-\$140	-\$106	-\$6	-\$150	\$75	\$73	-\$972

**Avista Utilities UG 181
Adjustments to Results of Operations
Year Ending December 31, 2006
(\$000)**

	Rate Base Accum DFTI, Depr & Expense (S-1)	Administrative and General (S-2)	Advertising and Sales Expense (S-3)	Bonuses and Incentives (S-4)	Out of period Labor Adjustment (S-5)	Wages and Salaries (S-6)	Gen. Business Revenues Schedule 410 (S-7)	Property Tax Adjustment (S-8)	Interest Synchronization Adjustment (S-9)	Total Adjustments
Income Tax Calculations										
1	Book Revenues	0	0	0	0	0	146	0	0	146
2	Book Expenses Other than Depreciation	-48	-91	-85	-137	-6	0	73	0	-485
3	State Tax Depreciation	-45	0	0	0	0	0	0	0	-45
4	Interest	-100	0	0	0	0	0	0	-130	-230
5	Book Tax (Schedule M) Differences	0	0	0	0	0	0	0	0	0
6	State Taxable Income	\$183	\$91	\$85	\$137	\$6	\$146	-\$73	\$130	\$906
7	State Income Tax @ 48.77%	\$1	\$0	\$0	\$1	\$0	\$1	\$0	\$1	\$5
8	State Tax Credits	0	0	0	0	0	0	0	0	\$0
9	Net State Income Tax	\$1	\$0	\$0	\$1	\$0	\$1	\$0	\$1	\$5
10	Additional Tax Depreciation	0	0	0	0	0	0	0	0	0
11	Other Schedule M Differences	0	0	0	0	0	0	0	0	0
12	Federal Taxable Income	\$192	\$91	\$85	\$136	\$6	\$145	-\$73	\$129	\$901
13	Current Federal Tax @ 35%	\$67	\$32	\$30	\$48	\$2	\$51	-\$26	\$45	\$315
14	Provision for Deferred Taxes	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
15	Total Income Tax	\$68	\$32	\$30	\$49	\$2	\$52	-\$26	\$46	\$320

Avista Utilities UG 181
Results of Operations
Twelve Months ending December 31, 2006
(\$000)

	Income Tax Calculations	Taxes Per Company Filing (1)	Adjustments (2)	Adjusted (3)	Required Change for Reasonable Return on Equity (4)	Results at Reasonable Return (5)
1	Book Revenues	\$127,527	\$146	\$127,673	\$866	\$128,539
2	Book Expenses Other than Depreciation	114,164	-485	113,679	24	113,703
3	State Tax Depreciation	3,933	-45	3,888	0	3,888
4	Interest	2,788	-230	2,558	0	2,558
5	Book-Tax (Schedule M) Differences	0	0	0	0	0
6	State Taxable Income	\$6,642	\$906	\$7,548	\$842	\$8,390
7	State Income Tax @ .4977%	\$513	\$5	\$518	\$4	\$522
8	State Tax Credits	0	0	0	0	0
9	Net State Income Tax	\$513	\$5	\$518	\$4	\$522
10	Additional Tax Depreciation	0	0	0	0	0
11	Other Schedule M Differences	0	0	0	0	0
12	Federal Taxable Income	\$6,129	\$901	\$7,030	\$838	\$7,868
13	Current Federal Tax @ 35%	\$3,164	\$315	\$3,479	\$293	\$3,772
14	Provision for Deferred Taxes	-\$690	\$0	-\$690	\$0	-\$690
15	Total Income Tax	\$2,987	\$320	\$3,307	\$297	\$3,604

Avista Utilities UG 181
Revenue Sensitive Costs and Cost of Capital
Results of Operations
Twelve Months ending December 31, 2006
(\$000)

REVENUE SENSITIVE COSTS	
Revenues	1.000000
Expense	
Uncollectible Accounts	0.005231
Energy Resource Supplier Assess.	0.000479
Taxes Other - Franchise	0.019846
- Gross Revenue fee	0.002500
	<u>0.971944</u>
State Taxable Income	0.004837
State Income Tax @ 0.4977%	0.967107
Federal Income Tax @ 35%	0.338487
Total Excise Taxes	0.343325
Total Revenue Sensitive Costs	0.371381
Utility Operating Income	0.628620
Net-to-Gross Factor	1.590790

COST OF CAPITAL (Settlement)		% of CAPITAL	COST	WEIGHTED COST
Long Term Debt		45.00%	6.40%	2.88%
Trust Preferred Securities		5.00%	6.57%	0.33%
Preferred Stock		0.00%	0.00%	0.00%
Common Equity		50.00%	10.00%	5.00%
Total		<u>100.00%</u>		<u>8.21%</u>

COST OF CAPITAL (Filed)		% of CAPITAL	COST	WEIGHTED COST
Long Term Debt		44.09%	6.83%	3.01%
Trust Preferred Securities		4.76%	7.04%	0.34%
Preferred Stock		0.00%	0.00%	0.00%
Common Equity		51.15%	11.00%	5.63%
Total		<u>100.00%</u>		<u>8.98%</u>

Avista Utilities UG 181
Narrative Summary
Twelve Months ending December 31, 2006
(\$000)

Attachment A

		Company-Filed Test Period Results	\$2,975
Item	Staff	Proposed Staff Adjustments	Proposed Revenue Requirement Change
S-0	BC	Rate of Return For the test period, Parties propose an overall rate of return of 8.21 percent. This is based on a cost of long term debt of 2.88 percent, a cost of .33 for trust preferred securities, and a return on common equity of 10 percent.	-\$1,137
S-1	JJ	Rate Base This adjustment removes rate base due to be in-service in 2008, because it is not yet used and useful.	-\$447
S-2	MD/DB	Administrative & General A series of adjustments in FERC accounts 901 - 935.	-\$94
S-3	DG	Advertising & Sales Expense Removes expense related to promotional advertising or the retention of customers.	-\$87
S-4	DG	Bonuses & Incentives Adjusts expense by excluding officer compensation and proposing a 50/50 sharing between customers and stockholders in accordance with historic treatment of such expense.	-\$140
S-5	DG	Out of period Labor Adjustment Removes addition of expense for the period beyond the 2006 test year.	-\$196
S-6	DG	Wages & Salaries Adjusts test year expense to conform to the results of the PUC 3-year wage and salary model.	-\$6
S-7	JM	General Business Revenues Adjusts 2006 test year revenues due to Staff-proposed change to Avista's weather normalization model.	-\$150
S-8	DG	Property Taxes Stipulated adjustment to 2006 test year expense to correct error in Avista's filing.	\$75
S-9	JJ	Interest Synchronization Adjustment due to the change in weighted cost of debt and the change in rate base.	\$73

Total Staff-Proposed Adjustments	-\$2,109
Proposed Staff Case	\$866

JJ Judy Johnson 503/378-6636
 MD Mike Dougherty 503/3783623
 DB Dustin Ball 503/373-7946
 DG Deborah Garcia 503/378-6688
 JM Jaimie McGovern 503/378-5942

Revenue Requirement Based on Current Cost Estimates

Attachment B

Avista Utilities**Major Plant Additions-East Medford Reinforcement Project****Completed October 2008****Revenue Requirement**

Depreciation Expense	\$ 71,228
Property Tax @ 1.5% of Gross Plant	75,000
Total Expenses	<u>146,228</u>
Net Operating Income Before FIT	(146,228)
FIT Benefit of Depreciation and Property Tax	51,180
FIT Benefit of Interest Expense	54,025
Net Operating Income Requirement	<u>\$ (41,023)</u>
Net Plant	\$ 5,000,000
Accumulated Depreciation (average of 10/31/08 and 10/31/09)	45,704
Accumulated DFIT (average of 10/31/08 and 10/31/09)	<u>(145,698)</u>
Net Rate Base	4,808,598
Proposed Rate of Return	8.21%
Return on Rate Base	<u>\$ 394,786</u>
Net Operating Income Requirement including Return	\$ 435,809
Conversion Factor	0.62862
Revenue Requirement for 11/1/08-10/31/09	<u>\$ 693,279</u>

Avista Utilities
Jackson Prairie Expansion Projects
Revenue Requirement

Depreciation Expense	\$	95,267
Property Tax @ 1.5% of Gross Plant		75,664
Total Expenses		<u>170,931</u>
Net Operating Income Before FIT		(170,931)
FIT Benefit of Depreciation and Property Tax		59,826
FIT Benefit of Interest Expense		54,578
Net Operating Income Requirement	\$	<u>(56,527)</u>
Net Plant	\$	5,044,288
Accumulated Depreciation (average of 10/31/08 and 10/31/09)		47,633
Accumulated DFIT (average of 10/31/08 and 10/31/09)		<u>(138,794)</u>
Net Rate Base		4,857,861
Proposed Rate of Return		8.21%
Return on Rate Base	\$	<u>398,830</u>
Net Operating Income Requirement including Return	\$	455,357
Conversion Factor		0.62862
Revenue Requirement for 11/1/08 - 10/31/09	\$	<u>724,376</u>

OPUC STAFF MODEL

PROPOSED RATES SPREAD AND RATE DESIGN PER SETTLEMENT AGREEMENT (1, 2, 3, 4)

Lino #	OREGON TOTAL	Residential Service SCH 410	General Service SCH 420	Large General SCH 424	Interruptible Service SCH 410	Seasonal Service SCH 444	Special Contracts SCH 447	Transportation Service SCH 456
1	ANNUAL THERMS							
2	Beginning volumetric rate (\$/therm)	49,373,825	28,540,061	3,709,830	3,355,300	186,221	5,073,102	35,312,245
3	Schedule 456 Block Delimitations (in thousands of Therms)	\$ 1,429,14	\$ 1,345,38	\$ 94,573	\$ 0,489,88	\$ 1,253,76	NA	Various
4	Schedule 456 Block Volumes (Therms)	4,104,435	7,199,917	5,166,154	17,490,196	1,351,543	NA	35,312,245
5	Schedule 456 Beginning Rates (\$/therm)	\$ 0.12300	\$ 0.07757	\$ 0.06373	\$ 0.04984	\$ 0.02820	\$ 0.00000	\$ 0.00000
6	Beginning Volumetric Revenues	\$ 70,592,108	\$ 38,140,260	\$ 4,662,201	\$ 3,184,118	\$ 233,470	\$ 476,072	\$ 2,322,979
7	TEST PERIOD AVERAGE CUSTOMERS	92,410	81,424	98	40	8	4	36
8	Beginning Customer Charge (\$/month)	\$ 5	\$ 5	\$ 66	\$ 0	\$ 0	\$ 0	\$ 187,500
9	Beginning Customer Charge Revenues	\$ 4,885,440	\$ 776,176	\$ 76,440	\$ 0	\$ 0	\$ 0	\$ 81,000
10	BEGINNING TOTAL REVENUES	\$ 75,447,548	\$ 38,918,438	\$ 4,728,641	\$ 3,184,118	\$ 233,470	\$ 476,072	\$ 2,403,979
11	Revenue Requirement Increase - April 1, 2008	\$ 866,000						
12	Proposed rev. req. adjustment (% over beginning total rev's)	0.69%	0.87%	-2.06%	-1.75%	-2.00%	0.00%	0.87%
13	Proposed rev. req. adjustment (\$)	\$ 669,000	\$ 659,687	\$ 340,279	\$ 94,573	\$ -4,670	\$ 0	\$ 21,019
14	Proposed monthly customer charge (\$)	\$ 5.50	\$ 7.00	\$ 55.50	\$ 0	\$ 0	\$ 0	\$ 187.50
15	Revenue Requirement Increase from Customer Charge	\$ 607,068	\$ 488,544	\$ 129,698	\$ 11,172	\$ 0	\$ 0	\$ 0
16	Revenue Requirement Increase from Volumetric Charges	\$ 258,932	\$ 171,123	\$ 210,583	\$ -83,401	\$ -4,670	\$ 0	\$ 21,019
17	Percentage Revenue Requirement Increase Applied to Volumetric Charges	0.2425%	0.5521%	-1.7827%	-1.7500%	-2.0000%	NA	0.9048%
18	Proposed Volumetric Rates, Tariff Sales Schedules	\$ 1,43261	\$ 1,35281	\$ 1,23164	\$ 0,35237	\$ 1,22888	NA	NA
19	Proposed Schedule 456 Block Rates	\$ 0.13017	\$ 0.07827	\$ 0.06431	\$ 0.05029	\$ 0.02543	NA	NA
20	Revenue Requirement Increase Due to JP Storage Addition -- 11/01/08	\$ 724,000						
21	Share (Excluding Special Contracts) of Annual Therms Throughput	100.00%	23.57%	3.08%	2.70%	0.15%	0.00%	29.30%
22	Share (Excluding Special Contracts) of Annual Sales Therms	100.00%	58.10%	33.36%	4.37%	0.22%	0.00%	0.00%
23	Weighted Shares: 14% Throughput, 86% Sales	100.00%	55.72%	31.99%	3.79%	0.21%	0.00%	4.11%
24	Allocation of JP Revenue Requirement Increase	\$ 724,000	\$ 403,587	\$ 231,613	\$ 30,310	\$ 1,521	\$ 0	\$ 29,755
25	Other Revenue Requirement Increase - November 1, 2008	\$ 693,000						
26	Proposed rev. req. adjustment (% over beginning total rev's)	0.55%	0.73%	-2.00%	-1.75%	-2.00%	0.00%	0.73%
27	Proposed rev. req. adjustment (\$)	\$ 663,000	\$ 547,898	\$ 282,619	\$ 65,722	\$ -4,670	\$ 0	\$ 17,457
28	Proposed monthly customer charge (\$)	\$ 5.00	\$ 8.00	\$ 46.00	\$ 0	\$ 0	\$ 0	\$ 187.50
29	Revenue Requirement Increase from Customer Charge	\$ 607,068	\$ 488,544	\$ 129,698	\$ 11,172	\$ 0	\$ 0	\$ 0
30	Revenue Requirement Increase from Volumetric Charges	\$ 258,932	\$ 171,123	\$ 210,583	\$ -83,401	\$ -4,670	\$ 0	\$ 17,457
31	Allocation of JP Revenue Requirement Increase	\$ 724,000	\$ 403,387	\$ 231,613	\$ 30,310	\$ 1,521	\$ 0	\$ 29,755
32	Combined Other and JP Revenue Requirement Increase	\$ 609,932	\$ 482,730	\$ 384,537	\$ -53,091	\$ -3,148	\$ 0	\$ 47,213
33	Percentage Rev. Req. Increase Applied to Beginning Volumetric Charges	0.6559%	1.0092%	-1.1412%	-0.8891%	-1.3484%	NA	2.0324%
34	Continued April 1, Nov. 1 and JP Volumetric Rates Increase (%)	0.8983%	1.5093%	-2.9339%	-2.6391%	-3.3484%	NA	2.9373%
35	Proposed Nov. 1 Volumetric Rates, Tariff Sales Schedules	\$ 1,44198	\$ 1,30637	\$ 1,21723	\$ 0,92394	\$ 1,21178	NA	NA
36	Proposed Nov. 1 Schedule 456 Block Rates	\$ 0.13279	\$ 0.07985	\$ 0.06560	\$ 0.05130	\$ 0.02594	NA	NA
37	Revenues from Nov. 1 Volumetric Rates, Tariff Sales Schedules	\$ 118,248,867	\$ 71,195,951.51	\$ 30,735,379	\$ 3,100,087	\$ 225,659	\$ 476,072	\$ 2,391,211
38	Revenues from Nov. 1 Schedule 456 Block Rates	\$ 2,391,211	\$ 545,024.16	\$ 574,902.16	\$ 897,315.52	\$ 35,059.29	\$ 0	\$ 81,000
39	Revenues from Nov. 1 Customer Charges	\$ 7,035,192	\$ 5,862,528	\$ 1,037,588	\$ 54,036	\$ 0	\$ 0	\$ 0
40	TOTAL REVENUES FROM PROPOSED NOV. 1 RATES	\$ 127,675,271	\$ 77,068,490	\$ 39,775,947	\$ 4,569,805	\$ 225,659	\$ 476,072	\$ 2,472,211
41	TOTAL INCREASE OVER THE CURRENT TARIFF (\$)	\$ 2,283,000	\$ 1,610,941	\$ 854,511	\$ -169,836	\$ -84,031	\$ 0	\$ 69,232
42	TOTAL INCREASE OVER THE CURRENT TARIFF (%)	1.82%	2.14%	2.20%	-3.36%	-3.35%	0.00%	2.84%

(1) Schedules 424 and 444 are to receive a 4% revenue requirement reduction and Schedule 440 is to receive a 3.5% reduction. The resulting net revenue requirement increase is to be achieved through a uniform percentage increase applied to the current pro forma revenues/revenue requirement of Schedules 410, 420, and 456.

(2) The Customer Charge for Schedule 410 is to be increased from \$5 per month to \$6. The Customer Charge for Schedule 420 is to be increased from \$6 per month to \$8. The Customer Charge for Schedule 424 is to be increased from \$19 per month.

(3) Half the changes called for in (1) and (2) are to take place on April 1, 2008, with the balance of those changes to take place on Nov. 1, 2008.

(4) The Jackson Prairie Storage (JP) revenue requirement is to be allocated in proportion to the Schedules' relative shares of Annual Therms (Special Contracts Sched. 447 excluded), with 14% of the rev. req. allocated in proportion to the share of total annual throughput (i.e., Transportation Service Sched. 456 included) and 86% allocated in proportion to the shares of retail sales.