

DECISION MEMORANDUM

**TO: COMMISSIONER KJELLANDER
 COMMISSIONER SMITH
 COMMISSIONER HANSEN
 COMMISSION SECRETARY
 COMMISSION STAFF
 LEGAL**

FROM: JOHN HAMMOND

DATE: AUGUST 15, 2003

**SUBJECT: IN THE MATTER OF THE APPLICATION OF AVISTA UTILITIES FOR
 AUTHORITY TO INCREASE ITS NATURAL GAS RATES FOR
 SERVICE, CASE NO. AVU-G-03-1.**

On August 5, 2003, Avista Utilities, a unit of Avista Corporation, filed an Application for authority to place into effect new rate schedules that would increase the Company's estimated annual natural gas revenue by \$1.2 million or by about 2.4%. The Company's customer notice and press release represent that should the Commission approve this proposed increase the average increase for all customer rates would be 2.5%. Specifically, the Company states that residential and small business customers served under Schedule 101 using an average of 70 therms per month can expect to see an average increase of \$1.39 per month or about 2.5%. Larger commercial customers served under Schedules 111 and 121 would expect to see an average increase of 2.8% and 3%, respectively, with the higher increase percentages due to the lower base rates. The Company has requested an effective date of September 15, 2003, for its proposed rate schedules.

THE APPLICATION

Avista seeks with this Application to pass through to each of its customer classes the change in gas related costs resulting from: (1) an increase in the Company's weighted average cost of gas (WACOG), and 2) the proposed recovery of the previous timing differences accumulated in the Company's gas deferral account over a 12 month period.

The Company also proposes that if it is agreeable to both parties that the large transportation and interruptible customers be given an option of receiving/paying a portion of the deferred gas costs either through a lump sum credit/charge or through an amortization rate.

Avista requests that the Commission process its Application by Modified Procedure pursuant to Rules 201 through 204 of the Commission's Rules of Procedure. The Company also states that it stands ready for immediate consideration of this matter.

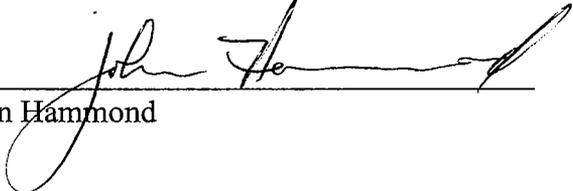
STAFF RECOMMENDATION

After reviewing the Company's filing the Commission Staff recommends that the Commission suspend Avista's Application until October 1, 2003, in order to accommodate for public workshops and written comments to be filed. It is Staff's understanding that Avista does not object to this suspension. Staff also recommends that the Commission process this case using Modified Procedure, (i.e., by written submission) under the Commission's Rules of Procedure. IDAPA 31.01.01.201-.204. In processing this case by Modified Procedure Staff recommends that the Commission schedule a public workshop(s) in the Company's service territory where the Staff will make a presentation(s) on and answer questions about the Company's Application. Finally, Staff recommends that the Commission establish comment deadlines for Staff, interested persons and parties and the Company, subsequent to any public workshops.

COMMISSION DECISION

Does the Commission wish to suspend the Company's Application?

Does the Commission wish to process this case under Modified Procedure using the recommendations made above?



John Hammond

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