

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

**IN THE MATTER OF AVISTA)
CORPORATION DBA AVISTA UTILITIES') CASE NO. AVU-G-17-06
APPLICATION TO CHANGE ITS NATURAL)
GAS RATES AND CHARGES (PURCHASED)
GAS COST ADJUSTMENT)) ORDER NO. 33975
)**

On December 26, 2017, Avista Corporation dba Avista Utilities filed an Application requesting authority to change its natural gas rates through the Purchased Gas Cost Adjustment (PGA) mechanism. By way of summary, the PGA is a Commission-approved mechanism that adjusts rates up or down to reflect changes in Avista’s costs to buy natural gas from suppliers—including changes in transportation, storage, and other related costs. Avista defers these costs into its PGA account, and then passes them on to customers through an increase or decrease in rates.

On January 10, 2018, the Commission issued a Notice of Application and Notice of Modified Procedure. Order No. 33963. The Commission set a January 17, 2018, general comment deadline. Commission Staff filed the only comments and supported the Company’s Application. Having reviewed the record, we issue this Order approving Avista’s Application and proposed tariffs as filed, effective January 26, 2018.

THE APPLICATION

Avista proposed to lower its weighted average cost of gas (WACOG), and pass the reduction on to customers (Tariff Schedule 150). In this filing, the Company has not requested any change related to its fixed demand costs nor its deferred amortization rates (Tariff Schedule 155). The PGA rates for general and large general customer classes would change as follows:

Service	Schedule No.	Commodity Change per Therm	Demand Change per Therm	Total Sch. 150 Change	Amortization Change per Therm	Total Rate Change per Therm	Overall Percent Change
General	101	\$(0.05520)	\$ -	\$(0.05520)	\$ -	\$(0.05520)	(6.7%)
Lg. General	111	\$(0.05520)	\$ -	\$(0.05520)	\$ -	\$(0.05520)	(10.3%)

Application at 2. The proposal would *decrease* the Company’s PGA rates by about \$3.2 million (7.4%), and *decrease* the average residential and small commercial customers’ rates by about \$2.73 per month (6.4%). *Id.* These changes would not affect Avista’s earnings. *Id.*

A. Schedule 150 and 155

The Schedule 150 portion of the PGA has two parts: (1) commodity costs; and (2) demand costs. Commodity costs are the variable costs at which Avista buys natural gas. The weighted average cost of gas (WACOG) approximates that cost. In this case, Avista estimated that its commodity costs will *decrease* by \$0.05520 per therm, from the currently approved \$0.21891 to \$0.16371 per therm. In an effort to minimize the volatility, the Company has used a diversified approach to procure natural gas, including hedging, underground storage, and estimating the cost of index purchases.

Demand costs are the Company's fixed-capacity costs for interstate transportation and underground storage, as well as capacity releases that are credited back to customers. Avista is not requesting any change related to demand charges in this filing. *Id.* at 3. The Company is also not requesting any change related to its deferral account in this filing, and stated that any changes would be proposed in its next PGA filing. *Id.* at 3-4. Avista's tariff Schedule 155 reflects the amortization of the Company's deferral account.

THE COMMENTS

Staff's comments support Avista's Application. Staff reviewed the Company's Application and proposed WACOG calculation and stated that a rate reduction is necessary and appropriate. Staff agreed that the Company's goal of reducing rates quickly benefits customers during the current heating season. Staff submitted that the proposed update to the PGA by recalculating only the WACOG is appropriate. Staff stated that not updating the Company's demand costs or its deferral account is also appropriate. Staff stated that they will review demand charges, transportation charges, and normalization methodology in the Company's regular PGA filing that will be filed later in 2018.

Staff noted that the Company notified customers of this change through a press release, but not a direct mailing. Because the proposal is a rate decrease, notification through a press release complies with Rule 125. However, Staff noted that Rule 125 requires direct notice be issued to customers after Commission approval of the Application, and thus recommended the same.

DISCUSSION AND FINDINGS

The Commission has reviewed the record, including the Application and comments. Avista is a gas corporation and public utility, and the Commission has jurisdiction over it and the

issues in this case under Title 61 of the Idaho Code, and more specifically, *Idaho Code* §§ 61-117, 61-129, 61-307, 61-501, and 61-502. The Commission must establish just, reasonable, and sufficient rates for utilities subject to its jurisdiction. *Idaho Code* § 61-502.

Based on our review of the record, we find that Avista's proposed Schedule 150 accurately captures Avista's variable costs. We thus find it fair, just, and reasonable to approve Avista's proposed Schedule 150, including the proposed WACOG of \$0.16371 per therm. We further find it appropriate for the Company to update its demand costs, and any changes to its deferral account in its regular PGA filing. Finally, the Company should issue direct notice to its customers of these changes in accord with Rule 125.

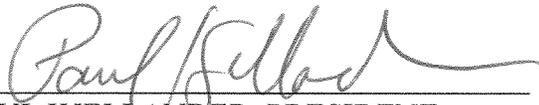
ORDER

IT IS HEREBY ORDERED that Avista's Application to change its natural gas rates and charges is approved. Avista shall establish a WACOG of \$0.16371 per therm. Avista's proposed tariffs are approved as filed for service rendered on and after January 26, 2018.

IT IS FURTHER ORDERED that Avista shall promptly apply to amend its WACOG if gas prices materially deviate from the WACOG approved in this Order.

THIS IS A FINAL ORDER. Any person interested in this Order (or in issues finally decided by this Order) may petition for reconsideration within twenty-one (21) days of the service date of this Order. Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. See *Idaho Code* § 61-626.

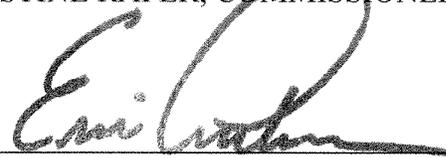
DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this *25th*
day of January 2018.



PAUL KJELLANDER, PRESIDENT

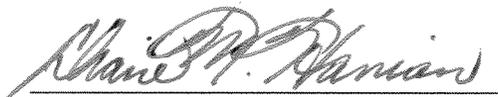


KRISTINE RAPER, COMMISSIONER



ERIC ANDERSON, COMMISSIONER

ATTEST:



Diane Hanian
Commission Secretary

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