

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

**IN THE MATTER OF THE APPLICATION)
OF AVISTA UTILITIES FOR AUTHORITY) CASE NO. AVU-G-07-02
TO CHANGE ITS NATURAL GAS RATES)
AND CHARGES (2007 PURCHASED GAS) NOTICE OF APPLICATION
COST ADJUSTMENT))
)
) NOTICE OF
) MODIFIED PROCEDURE
)
)
) ORDER NO. 30444**

On September 17, 2007, Avista filed its annual Purchased Gas Cost Adjustment (PGA) Application with the Commission requesting authority to place new rate schedules in effect as of November 1, 2007 that would decrease its annual natural gas revenues by approximately \$4 million (4.6%). The PGA mechanism is used to adjust rates to reflect changes in the costs for the purchase of gas from wholesale suppliers including transportation, storage, and other related costs of acquiring natural gas. Avista's earnings will not be increased as a result of the proposed changes in prices and revenues. With this Order the Commission authorizes the use of Modified Procedure to process the Company's Application and establishes a written comment/protest deadline.

NOTICE OF APPLICATION

YOU ARE HEREBY NOTIFIED that Avista states if the proposed changes are approved its annual revenue will decrease by approximately \$4 million or 4.6%. The average residential or small commercial customer using 65 therms per month would see an estimated decrease of \$3.65 per month (4.6%).

YOU ARE FURTHER NOTIFIED that the Company states that it purchases natural gas for customer usage and transports this gas over various pipelines for delivery to customers. The Company defers the effect of timing differences due to implementation of rate changes and differences between the Company's actual Weighted Average Cost of Gas (WACOG) purchased and the WACOG embedded in rates. The Company states that it also defers the revenue received from the release of its storage capacity as well as various pipeline refunds or charges and miscellaneous revenue received from gas-related transactions.

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NOTICE OF MODIFIED PROCEDURE
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YOU ARE FURTHER NOTIFIED that Avista requests a decrease in the WACOG from its present \$0.76085 cents-per-therm to \$0.75544 cents-per-therm, a decrease of approximately \$0.005 per therm. The Company states that approximately 70% of its estimated annual load requirements for the PGA year will be hedged at a fixed price comprised of: (1) approximately 41% of volumes hedged for a term of one year or less; (2) approximately 18% hedged for a three-year term; and (3) 11% of volumes in Jackson Prairie storage. This planned level of hedging is similar to the prior year. During 2006, the Company began incorporating three-year fixed price hedges into its portfolio to provide additional rate stability. Through the end of August, approximately 2/3 of planned hedge volumes for the PGA year have been executed at a weighted average price of \$7.94 per decatherm (\$0.794 per therm).

YOU ARE FURTHER NOTIFIED that the demand costs included in the Company's Application primarily represent the costs of pipeline transportation to the Company's system. Overall, total demand costs reflected in this PGA filing were essentially flat, as compared to the total costs reflected in the 2006 PGA filing. However, projected firm sales volumes are substantially lower in this filing as compared to the projected volumes in the 2006 filing. Therefore, a similar level of dollars is recovered over a lower level of volumes, thus resulting in a proposed increase per therm. The Company's proposed rates in this filing include a decrease that reflects the settlement of the Northwest Pipeline's (NWP) FERC rate case. However, this decrease is offset by the inclusion of higher rates for Gas Transmission Northwest (GTN), whose FERC rate case is still pending, as well as increases in Canadian pipeline charges. Additionally, during 2007 the Company terminated its agreement related to the Plymouth LNG peaking facility, resulting in a savings of \$124,000 per year in fixed demand costs.

YOU ARE FURTHER NOTIFIED that the Company is also proposing a change in the present amortization rate that is used to refund or surcharge customers the difference between actual gas costs and projected gas costs from the last PGA filing over the past year. The present amortization rate for firm-sales customers is approximately a 3.4 cents-per-therm surcharge. The proposed decrease in the amortization rate results in a refund rate of approximately 2.4 cents-per-therm to pass back estimated over-collected gas costs of approximately \$1.7 million as of November 1, 2007.

YOU ARE FURTHER NOTIFIED that the Company states that notice of its proposed decrease in price has been accomplished by posting a notice at each of the Company's district offices in Idaho, a press release distributed to various informational agencies, and a separate notice to each of its Idaho gas customers included in their billing. Avista has attached copies of these notices to its Application.

YOU ARE FURTHER NOTIFIED that the Company's Application to decrease its rates is merely a proposal subject to public review and Commission approval.

YOU ARE FURTHER NOTIFIED that the Commission has jurisdiction over this matter and Avista Utilities, a public utility, pursuant to the authority and power granted under Title 61 of the Idaho Code and the Commission Rules of Procedure, IDAPA 31.01.01.000 *et seq.*

YOU ARE FURTHER NOTIFIED that the Application and supporting workpapers, testimonies, and exhibits have been filed with the Commission and are available for public inspection during regular business hours at the Commission offices. The Application and testimonies are also available on the Commission's Website at www.puc.idaho.gov under the "File Room" and then "Gas Cases."

NOTICE OF MODIFIED PROCEDURE

YOU ARE FURTHER NOTIFIED that the Commission has reviewed the filing of record in Case No. AVU-G-07-02. The Commission has preliminarily determined that the public interest may not require a hearing to consider the issues presented in this case and that issues raised by the Company's filing may be processed under **Modified Procedure**, i.e., by written submission rather than by hearing. IDAPA 31.01.01.201-204. In so doing, the Commission notes that Modified Procedure and written comments have proven to be an effective means for obtaining public input and participation.

YOU ARE FURTHER NOTIFIED that the Commission may not hold a hearing in this proceeding unless it receives written protests or comments opposing the use of Modified Procedure and stating why Modified Procedure should not be used. IDAPA 31.01.01.203.

YOU ARE FURTHER NOTIFIED that if no protests or written comments are received within the deadline, the Commission will consider the matter and enter its Order without a hearing. If protests or comments are filed within the deadline, the Commission will consider them and may, in its discretion, set the matter for hearing or decide the matter and issue its Order on the basis of the written positions before it. IDAPA 31.01.01.204.

NOTICE OF COMMENT/PROTEST DEADLINE

YOU ARE FURTHER NOTIFIED that **the deadline for filing written comments or protests** with respect to the Application and the Commission's use of Modified Procedure in Case No. AVU-G-07-02 is **October 24, 2007**. Persons desiring a hearing must specifically request a hearing in their written protests or comments.

YOU ARE FURTHER NOTIFIED that written comments concerning this case should be mailed to the Commission and to the Company at the addresses reflected below.

Commission Secretary
Idaho Public Utilities Commission
PO Box 83720
Boise, ID 83720-0074

Street Address For Express Mail:
472 W. Washington Street
Boise, ID 83702-5983

Kelly O. Norwood
Vice President – State and Federal Regulation
Avista Utilities
PO Box 3727
Spokane, WA 99220-3727

E-mail: kelly.norwood@avistacorp.com

David J. Meyer
Vice President and Chief Counsel for Regulatory
& Government Affairs
Avista Utilities
PO Box 3727
Spokane, WA 99220-3727
E-mail: david.meyer@avistacorp.com

These comments should contain the case caption and case number shown on the first page of this document. Persons desiring to submit comments via e-mail may do so by accessing the Commission's homepage located at www.puc.idaho.gov. Click the "Comments and Questions" icon, and complete the comment form, using the case number as it appears on the front of this document. These comments must also be sent to Avista at the e-mail addresses listed above.

FINDINGS/CONCLUSIONS

The Idaho Public Utilities Commission has jurisdiction over Avista Utilities, its Application for authority to change rates and prices, and the issues involved in this case by virtue of Title 61, Idaho Code, specifically *Idaho Code* §§ 61-129, 61-117 and 61-307, and the Commission's Rules of Procedure, IDAPA 31.01.01.000 *et seq.*

The Commission has preliminarily determined that the public interest may not require a hearing to consider the issues presented in this case, and that issues raised by the Company's filing may be processed under **Modified Procedure**, i.e., by written submission

rather than by hearing. IDAPA 31.01.01.201-204. In so doing, the Commission notes that Modified Procedure and written comments have proven to be an effective means for obtaining public input and participation.

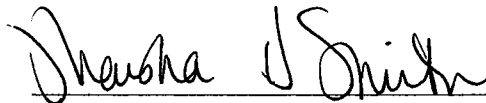
ORDER

IT IS HEREBY ORDERED that this case be processed under Modified Procedure. Persons interested in submitting written comments regarding this case or protesting the use of Modified Procedure must do so no later than October 24, 2007.

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 26th day of 2007.



PAUL KJELLANDER, PRESIDENT

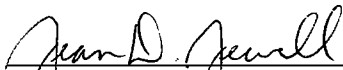


MARSHA H. SMITH, COMMISSIONER



MACK A. REDFORD, COMMISSIONER

ATTEST:



Jean D. Jewell
Commission Secretary

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