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Attorney for the Commission Staff

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF)
AVISTA CORPORATION DBA AVISTA) **CASE NO. AVU-G-09-3**
UTILITIES FOR AUTHORITY TO DECREASE)
ITS NATURAL GAS RATES.) **COMMENTS OF THE**
) **COMMISSION STAFF**
)

COMES NOW the Staff of the Idaho Public Utilities Commission (Commission), by and through its attorney of record, Scott Woodbury, Deputy Attorney General, and in response to the Notice of Application, Notice of Modified Procedure and Notice of Comment/Protest Deadline issued in Interlocutory Order No. 30826 on May 29, 2009 in Case No. AVE-G-09-3, submits the following comments.

BACKGROUND

On September 30, 2008, the Commission in Avista's 2008 annual Purchased Gas Cost Adjustment (PGA) filing authorized the use of a \$0.78646 per therm weighted average cost of gas (WACOG) for the Company's Schedule 150 tariff and approved an amortization rate of 1.727¢/therm for the Schedule 155 tariff used to refund the credit amount in the deferred gas cost balancing account to customers. Case No. AVU-G-08-3, Order No. 30646.

Since September 30, 2008, wholesale natural gas prices have fallen below the projected prices used to calculate the approved WACOG. As a result of lower gas cost purchases, deferred gas costs (i.e., the refund balance) due customers have grown significantly.

On January 6, 2009, the Commission approved the Company's request to increase the Schedule 155 amortization rate from 1.727¢ per therm to 7.711¢ per therm to refund an increase in the credit balance for customers of approximately \$4 million through October 31, 2009. Case No. AVU-G-09-2, Order No. 30714.

On May 19, 2009, Avista Corporation dba Avista Utilities (Avista; Company) filed an Application with the Commission requesting authority to adjust its natural gas tariff Schedule 155 amortization rates to refund additional deferred amounts in its Purchased Gas Cost Adjustment (PGA) balancing account. The Company requested that the proposed tariff changes be made effective on June 1, 2009.

The Commission issued Interlocutory Order No. 30826 on May 29, 2009, finding the June 1, 2009 effective date requested by the Company for a decrease in its natural gas rates did not allow sufficient time for notice, investigation and comment. The Commission in its Order approved the Company's request for an increase in its Schedule 155 amortization rate and related reduction in natural gas rates for the proposed effective date and allowed additional time for investigation and comments.

STAFF REVIEW

Staff has reviewed the Company's Application and supporting workpapers and believes the proposed decrease in retail natural gas rates is appropriate. The combination of favorable prices in the natural gas market and the additional customer usage over what was projected due to the abnormally cold winter has resulted in a \$6,461,830 deferral balance due to customers. This balance is in addition to the \$4 million refund currently being credited to customers through October 2009 from the January 6, 2009 decrease of approximately 4.7% authorized by the Commission in Order No. 30714. The current proposal will amortize this incremental balance over 12 months through a credit to customers. More specifically, the Company's proposal will increase its monthly Schedule 155 amortization rate by 8.1¢ per therm from 7.711¢ to 15.805¢ for Schedules 101 (General Service) and 111 (Large General Service) customers. Schedule 101 residential and small commercial customers using an average of 65 therms per month will see a

monthly bill reduction of \$5.26 (or 6.7%), from a present bill of \$78.23 to a bill of \$72.97 per month. Large interruptible customers (Schedule 131) will see a decrease in gas rates as their Schedule 155 amortization rate increases from 6.574¢ to 12.033¢ per therm. The following chart illustrates the impact of the Company's request on the individual customer classes;

Schedule	Description	Current Rate per Therm	Proposed Change to Amortization Rate	Proposed Rate per Therm	Average Percentage Billing Change
101	General	\$1.14206	\$0.08094	\$1.06112	-6.72%
111	Large General	\$1.12569*	\$0.08094	\$1.04475	-7.79%
131	Large Interruptible	\$0.88688	\$0.05459	\$0.83229	-6.15%

*denotes retail rate for the first block of usage.

The Company has currently locked in approximately 40% of its estimated winter load for the 2009-2010 heating season. The Jackson Prairie storage facility is at approximately 45% full with a weighted average cost of gas (WACOG) in storage under \$0.30 per therm, compared to the current WACOG embedded in rates of \$0.78646 per therm. Barring any unforeseen natural disaster or pipeline catastrophe, customers should be able to expect a significant decrease in rates when Avista files its 2009 annual PGA in September this year, at which time the prudence of the natural gas purchases and gas procurement policy will be thoroughly reviewed.

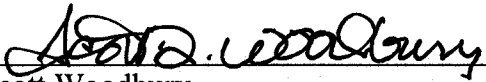
Customer Relations

A copy of the press release issued on May 19, 2009 by Avista was included with the Company's Application. The Company is providing notice of the proposed rate decrease to customers in bills issued from June 4 to July 2, 2009. In Order No. 30826, customers were given until June 19, 2009 to file comments. As of June 15, only one customer had submitted a comment. The customer was critical of Avista and its timing, reducing natural gas rates in the summer when natural gas usage is at its lowest. Staff notes that this is the second decrease in natural gas rates this year, with a third decrease likely. Had Avista not requested a decrease, the deferral balance due to customers would have continued to accrue interest, and the monies would have eventually been refunded to customers regardless of the season.

STAFF RECOMMENDATION

After reviewing the Company's Application and workpapers and the external circumstances, which lead to the large deferral balance, Staff recommends that the Commission affirm its Interlocutory Order No. 30826, approve the Company's proposed natural gas rate decrease and accept the filed tariffs that accompanied the Company's Application. Staff recommends that the Commission reserve judgment on the Company's natural gas purchases and gas procurement policies until the annual PGA filing when these costs and policies are normally thoroughly reviewed.

Respectfully submitted this 19th day of June 2009.



Scott Woodbury
Deputy Attorney General

Technical Staff: Donn English
Beverly Barker

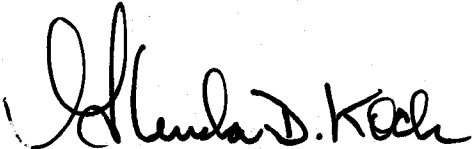
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CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 19TH DAY OF JUNE 2009, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF**, IN CASE NO. AVU-E-09-03, BY MAILING A COPY THEREOF, POSTAGE PREPAID, TO THE FOLLOWING:

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SECRETARY