

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

**IN THE MATTER OF THE APPLICATION)
AVISTA CORPORATION FOR AUTHORITY) CASE NO. AVU-G-11-04
TO CHANGE ITS RATES AND CHARGES)
(2011 PURCHASED GAS COST) NOTICE OF APPLICATION
ADJUSTMENT).)
)
) NOTICE OF
) MODIFIED PROCEDURE
)
)
) ORDER NO. 32335**

On August 15, 2011, Avista Corporation dba Avista Utilities filed its annual Purchased Gas Cost Adjustment (PGA) Application requesting authority to increase its annualized revenues by \$1.1 million, or about 1.53%. Application at 1.¹ The Company says the changes will not affect its earnings. Avista states that if the Application is approved, the average residential or small commercial customer using 62 therms of gas per month will experience a monthly increase of \$0.99 per month (1.63%). *Id.* at 4. The Company asks that its Application be processed by Modified Procedure, and requests that the new rates take effect October 1, 2011. *Id.*

NOTICE OF APPLICATION

YOU ARE HEREBY NOTIFIED that Avista buys natural gas for customer usage and then transports the gas through pipelines for delivery to customers. *Id.* at 2. The Company says it 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. *Id.* The Company also defers various pipeline refunds or charges and miscellaneous revenue received from natural gas-related transactions, including pipeline capacity releases. *Id.*

YOU ARE FURTHER NOTIFIED that Avista proposes *decreasing* the commodity cost (i.e., the WACOG) from the currently approved \$0.461 per therm to \$0.423 per therm, for a \$0.038 per therm decrease. *Id.* at 3.

¹ The PGA mechanism is used to adjust rates to reflect annual changes in the Company's costs for the purchase of natural gas from suppliers – including transportation, storage, and other related costs.

YOU ARE FURTHER NOTIFIED that Avista says it has periodically hedged gas throughout 2011 for the coming PGA year (13 months). *Id.* The Company says it will hedge approximately 70% of its estimated annual load requirements for the PGA year (October 2011 – October 2012) at a fixed price comprised of: (1) 32% of volumes hedged for a term of one-year or less; (2) 18% of prior multi-year hedges; and (3) 20% from underground storage. *Id.* Through July, the planned hedge volumes for the PGA year have been executed at a weighted average price of \$0.479 per therm. *Id.*

YOU ARE FURTHER NOTIFIED that Avista says that average daily wholesale prices of natural gas have stayed at levels similar to 2010; however, the prices of natural gas during the storage injection season (April - September) have been slightly higher than in 2010. *See* Application at 3. These higher prices have raised the storage WACOG above what is currently in embedded rates. *Id.* The Company notes, though, that while gas prices are currently higher than levels experienced a year ago, the forward prices for the upcoming PGA year have continued to drop. *Id.* The Company contends this decline has provided the opportunity to hedge natural gas at a cost below what is embedded in rates, and that this decreased hedge cost more than offsets the storage WACOG increase. *Id.*

YOU ARE FURTHER NOTIFIED that Avista maintains that the demand costs in its Application primarily represent the costs of pipeline transportation to the Company's system. *Id.* The Company proposes a slight increase in demand charges due, in part, to a proposed rate case settlement between Gas Transmission Northwest and gas shippers (including Avista). *Id.* The Company states the proposed settlement is to be filed with FERC in the near future, and that the Company expects it to be approved. *Id.* at 4.

YOU ARE FURTHER NOTIFIED that Avista also proposes to increase the amortization rate to about \$0.047 per therm. *Id.* This increase results from the large, one-year 2010 refund amortization rate being replaced by a smaller rate. *Id.* The Company states the larger refund balance from the prior PGA was almost totally amortized in the current PGA year, resulting in a reduction in the refund amortization rate in this PGA. The Company states this reduction, coupled with current refund balances of \$1.6 million, results in a \$0.047 per therm increase in Schedule 155. *Id.*

YOU ARE FURTHER NOTIFIED that Avista asserts it has notified customers of its proposed increase in gas rates by posting a notice at each of the Company's district offices in Idaho, by means of a press release distributed to various informational agencies, and by individual notice to each of its Idaho gas customers via a bill insert. *Id.* at 2. Finally, the Company asks that this matter be handled under Modified Procedure pursuant to Rules 201-204 of the Commission's Rules of Procedure, and that its rates take effect on October 1, 2011. *Id.* at 4.

NOTICE OF MODIFIED PROCEDURE

YOU ARE FURTHER NOTIFIED that the Commission has determined that the public interest may not require a formal evidentiary hearing in this matter and will proceed under Modified Procedure pursuant to the Commission's Rules of Procedure 201 through 204, IDAPA 31.01.01.201 through .204. The Commission notes that Modified Procedure (with written comments) has proven to be an effective means for obtaining public input and participation in cases of this nature.

YOU ARE FURTHER NOTIFIED that any person desiring to state a position on this Application may file a written comment in support or opposition with the Commission **no later than September 21, 2011**. The comment must contain a statement of reasons supporting the comment. Persons desiring a hearing must specifically request a hearing in their written comments. Written comments concerning this Application shall be mailed to the Commission and the parties at the addresses reflected below:

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

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

Street Address for Express Mail:

472 W. Washington Street
Boise, ID 83702-5918

David J. Meyer
Vice President and Chief Counsel of
Regulatory and Governmental Affairs
Avista Utilities
P.O. Box 3727
Spokane, WA 99220-3727

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 home page located at www.puc.idaho.gov. Click the "Comments and Questions" icon, and complete the form, using the case number as it appears on the front of this document.

YOU ARE FURTHER NOTIFIED that if no written comments or protests are received within the time limit set, the Commission will consider this matter on its merits and enter its Order without a formal hearing. If written comments are received within the time limit set, the Commission will consider them and, in its discretion, may set the same for formal hearing.

YOU ARE FURTHER NOTIFIED that the Application, supporting work papers 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 other work papers are also available on the Commission's web site at www.puc.idaho.gov by clicking on "File Room" and then "Electric Cases."

YOU ARE FURTHER NOTIFIED that all proceedings in this matter will be held pursuant to the Commission's jurisdiction under Title 61 of the Idaho Code and specifically *Idaho Code* §§ 61-118, 61-119, 61-502, and 61-503. The Commission may enter any final Order consistent with its authority under Title 61.

YOU ARE FURTHER NOTIFIED that all proceedings in this matter will be conducted pursuant to the Commission's Rules of Procedure, IDAPA 31.01.01.000, *et seq.*

ORDER

IT IS HEREBY ORDERED that this case be processed under Modified Procedure. Interested persons may file comments **no later than September 21, 2011.**


DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 25th
day of August 2011.


PAUL KJELLANDER, PRESIDENT


MACK A. REDFORD, COMMISSIONER


MARSHA H. SMITH, COMMISSIONER

ATTEST:


Jean D. Jewell
Commission Secretary

O:AVUG1104_kk