

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

**IN THE MATTER OF THE APPLICATION OF)
AVISTA UTILITIES FOR AUTHORITY TO)
DECREASE ITS RATES FOR NATURAL GAS)
SERVICE.)**

CASE NO. AVU-G-02-2

NOTICE OF APPLICATION

**NOTICE OF MODIFIED
PROCEDURE**

**NOTICE OF COMMENT
DEADLINE**

On September 16, 2002, Avista Utilities filed a Purchased Gas Cost Adjustment (PGA) Application with the Commission for authority to place new rate schedules into effect on November 1, 2002 that will decrease its annualized revenues by approximately \$10 million. If its Application is approved, Avista states that customer rates will decrease on average by 15.5%. The Company has requested an effective date of November 1, 2002. Avista provides natural gas service to approximately 56,000 customers in northern Idaho. In this Notice the Commission processes this filing under Modified Procedure and establishes a written comment deadline.

THE APPLICATION

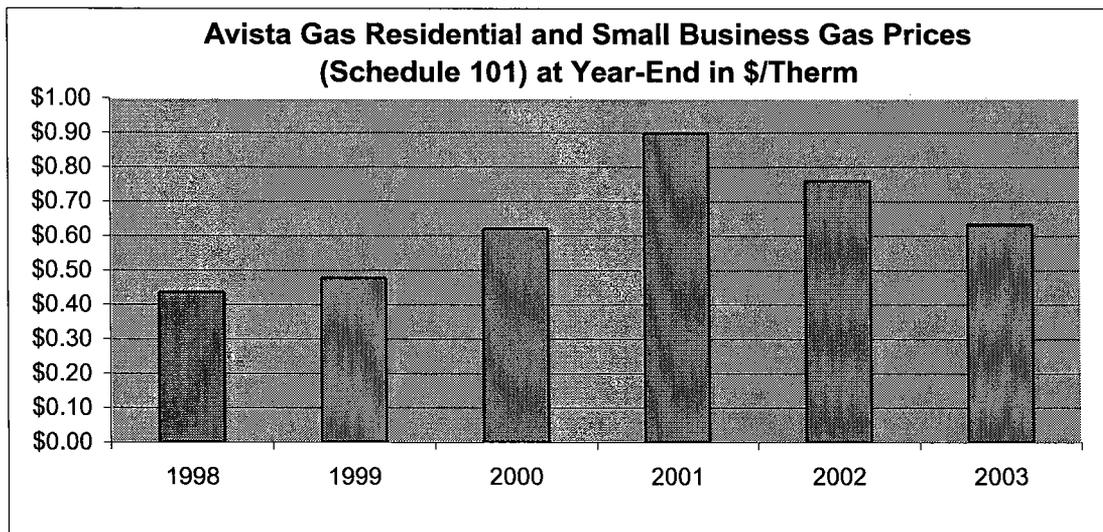
YOU ARE HEREBY NOTIFIED that Avista requests this rate reduction to true-up the differences between Avista's actual weighted average cost of gas (WACOG) purchased and the WACOG embedded in rates that have been deferred since September 1999. The Company has also deferred the revenue received from Cascade Natural Gas for the release of storage capacity at the Jackson Prairie Storage Facility, various pipeline refunds or charges, and miscellaneous revenue received from gas-related transactions.

WACOG

YOU ARE FURTHER NOTIFIED that to incorporate these deferred costs and credits into rates, Avista proposes to modify two rate schedules that will adjust the WACOG and the deferral surcharge. The Company advocates reducing the prospective natural gas cost component (the WACOG) included in the rates charged to customers by \$0.14727 per therm to

\$0.33098. This reduction is the result of netting the WACOG reduction of \$0.14946 per therm against the demand-related increase of \$0.00219 per therm.

The chart below depicts gas prices for Avista's residential and small business customers (Schedule 101) over the past five years. Assuming the deferral is fully recovered in November 2003 and the WACOG remains as proposed, the Commission Staff estimates a cost to customers of \$0.6323 per therm - which is reflected below as the estimated price of gas in 2003. By comparison, *Natural Gas Monthly* lists the year-to-date average price of natural gas delivered to residential customers as \$0.896 per therm in Idaho versus \$0.732 per therm nationally.¹

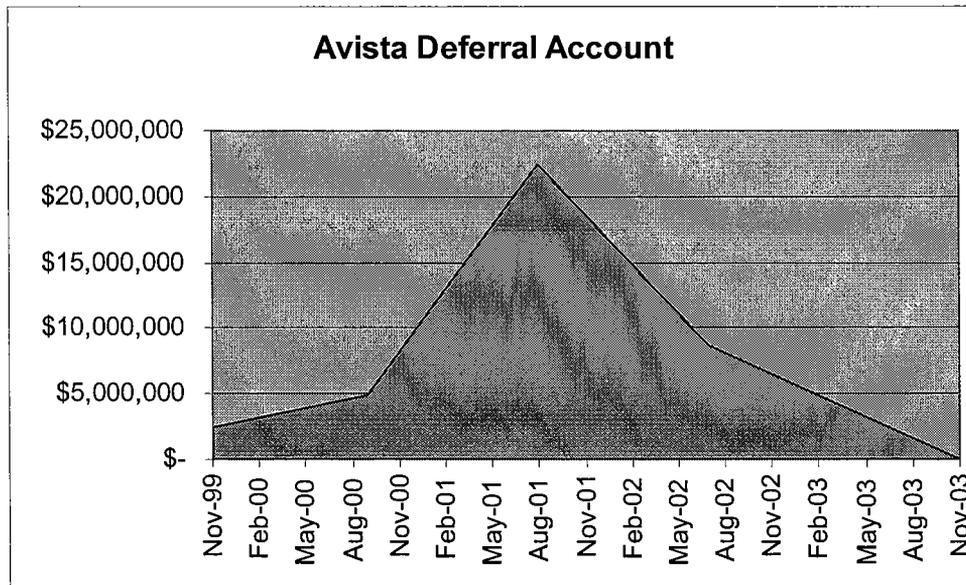


Deferral Surcharge

YOU ARE FURTHER NOTIFIED that Avista also seeks to recover the previous timing differences accumulated in the gas cost deferral account over the 12-month period of November 2002 through October 2003 through a surcharge. When the last PGA filing was approved by Order No. 28827 issued August 20, 2001, the gas deferral account totaled approximately \$22.3 million and was to be collected over a two and a half year period. As depicted on the graph below, Avista estimates the remaining balance to be \$8.7 million as of June 30, 2002 and expects it to be fully recovered by November 2003. The Company proposes increasing Schedule 155's amortization rates to recover this amount. If approved, firm sales customers on Rate Schedules 101, 111, and 121 (General, Large General and Commercial)

¹ Energy Information Administration, *Natural Gas Monthly* August 2002.

would experience a \$0.0079 per therm increase and interruptible sales customers on Rate Schedule 131 would experience a \$0.01098 per therm increase.



YOU ARE FURTHER NOTIFIED that Avista proposes that the large transportation and interruptible customers (Schedules 131, 132, and 146) be given the option of receiving/paying their portion of the deferred gas costs either through a lump sum credit/charge or through an amortization rate as set forth in the Company’s tariffs. If these customers choose the lump sum method, Avista proposes to adjust these billings’ credits/charges by the amount of interest that accumulates from the end of the test period used in this filing to the date of actual settlement. The Company states that this proposal would clear out the small residual balances related to interest charges that are carried forward between PGA filings for large customers.

YOU ARE FURTHER NOTIFIED that if the Application is approved, Avista states that the Company’s estimated annual natural gas revenue will decrease by approximately \$10,030,000 (15.5%). Avista estimates that the average residential customer using 75 therms per month would see their monthly bill decrease by approximately \$10.45 (14.8%). Larger commercial customers would experience an average decrease between 16.4% and 17.3%, with the higher decrease percentages due to lower base rates. Incorporating its proposed changes to Rate Schedules 150 and 155, Avista recommends the following annualized change in rates per customer class:

Customer Class	Schedule	Proposed Average Decrease \$ /Therm	Estimated Average Decrease % Change	Proposed Average Price \$/Therm
General	101	\$0.13937	14.8%	\$0.75816
Large General	111	\$0.13937	16.4%	\$0.7089
Commercial	121	\$0.13937	17.3%	\$0.6654
Large General	112	\$0.14727	21.2%	\$0.5484
Interruptible	131	\$0.13848	19.1%	\$0.58661
Interruptible	132	\$0.14946	25.3%	\$0.44127
Transportation	146	none	none	\$0.10574

YOU ARE FURTHER NOTIFIED that according to Avista, the proposed price reduction primarily reflects decreases in the cost of gas purchased for customer use and will not affect its earnings as a result of the proposed decrease in prices and revenues.

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

YOU ARE FURTHER NOTIFIED that the Company requests these rates be approved to become effective November 1, 2002 and that this matter be handled under Modified Procedure pursuant to Rules 201-210 of the Commission's Rules of Procedure.

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

NOTICE OF MODIFIED PROCEDURE

Avista requests that its Application be processed under **Modified Procedure**, i.e., by written submission rather than by hearing. IDAPA 31.01.01.201-204. The Company has requested an effective date of July 1, 2002.

YOU ARE FURTHER NOTIFIED that the Commission has reviewed the filings of record in Case No. AVU-G-02-2. The Commission notes that the PGA tracker reflects only those changes in gas costs that are generally recognized as outside the Company's control. The Commission has preliminarily determined that the public interest may not require a hearing to consider the issues presented in this case, and that the issues raised by the Company's filing may

be processed under Modified Procedure. In so doing, the Commission notes that Modified Procedure and written comment have proven to be an effective means for obtaining public input and participation.

YOU ARE FURTHER NOTIFIED that the Commission will 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 comments are received within the deadline, the Commission may 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 set the matter for hearing or may decide the matter and issue its Order on the basis of the written positions before it. IDAPA 31.01.01.204.

NOTICE OF COMMENT DEADLINE

YOU ARE FURTHER NOTIFIED that the **deadline for filing written comments or protests** with respect to the Application and the use of Modified Procedure in Case No. AVU-G-02-2 is **Wednesday, October 23, 2002**. IDAPA 31.01.01.202.02. Persons desiring a hearing must specifically request a hearing in their written protests or comments.

YOU ARE FURTHER NOTIFIED that written comments concerning this Application must be mailed to the Idaho Public Utilities Commission and Avista Utilities at the following addresses:

COMMISSION SECRETARY
IDAHO PUBLIC UTILITIES COMMISSION
PO BOX 83720
BOISE, IDAHO 83720-0074

Street Address for Express Mail:
472 W WASHINGTON ST
BOISE, ID 83702-5983

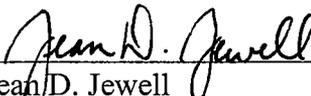
KELLY O. NORWOOD
DAVID J. MEYER
AVISTA UTILITIES
1411 EAST MISSION
PO BOX 3727
SPOKANE, WA 99220-3727
Email: kelly.norwood@avistacorp.com
david.meyer@avistacorp.com

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 home page located at www.puc.state.id.us under the "File Room" icon. Once at the "File Room" page, select "File a Comment," fill in the case number as it appears on the front of this document, and enter your comments. These comments must also be sent to the Applicant at the e-mail addresses listed above.

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NOTICE OF MODIFIED PROCEDURE
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YOU ARE FURTHER NOTIFIED that the Application together with accompanying exhibits and workpapers can be reviewed at the Commission's office and at the principal office of Avista Utilities during regular business hours. Avista Utilities is located at 1411 East Mission in Spokane, Washington (509-489-0500). In addition, the Application (excluding exhibits) are available on the Commission's Website at www.puc.state.id.us under the "File Room" icon.

DATED at Boise, Idaho this 26th day of September 2002.



Jean D. Jewell
Commission Secretary

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