
IDAHO PUBLIC UTILITIES COMMISSION

Case No. AVU-G-04-2, Order No. 29554

July 30, 2004

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Website: www.puc.state.id.us

Avista seeks 14.2 percent increase to pay for wholesale gas

Boise – The Idaho Public Utilities Commission will take comments through Aug. 26 on Avista Utilities' application to increase its purchased gas cost adjustment (PGA) rate by 14.2 percent.

An average monthly residential bill of about 70 therms per month of use would increase by about \$8.21 if Avista's application were approved.

The PGA is typically an annual adjustment that reflects the above- or below-normal costs the company incurs buying gas for its customers from the wholesale market. The revenue raised from the proposed increase – about \$7.8 million – does not increase Avista's profits. It is used to pay Avista's natural gas suppliers.

Avista, which serves 60,000 northern Idaho customers, has a separate application before the commission to increase its permanent base rate by 7.8 percent. Unlike the PGA, which covers only gas purchase costs, the base rate covers all of the company's costs of providing service. The base rate application now before the commission is Avista's first base rate request since 1989.

The PGA annually adjusts rates upward or downward depending on the wholesale price of gas. When wholesale natural gas prices are above normal, customers receive a surcharge. When gas prices are below normal, customers get a credit.

Up until about five years ago, it was not unusual for customers to have as many years of PGA credits as there were years of surcharges. For example, from 1993 through 1997, Avista customers received credits ranging from 0.72 percent to 17.8 percent. Beginning in 1998 – with the exception of 2002 when customers got a 19.8 percent credit – all of the purchased gas cost adjustments have been surcharges ranging from 0.5 percent to 37 percent, reflecting the volatile gas market of recent years.

The commission's job is to ensure Avista's gas purchases were "prudently incurred," meaning that the company timed its buying decisions through hedges and other methods to secure the least expensive natural gas available. If the company is found to have been prudent in its gas cost purchases, Idaho statute requires that the company be reimbursed the reasonably incurred expenses necessary to serve its customers.

Avista is requesting that the PGA be implemented at the same time as the change in the base rate, which is intended to be effective by Sept. 9.

Persons wishing to submit comments can do so via e-mail by accessing the commission's homepage at www.puc.state.id.us and clicking on "Comments & Questions." Fill in the case number (AVU-G-04-2) and enter your comments. Comments can also be mailed to P.O. Box 83720, Boise, ID 83720-0074 or faxed to (208) 334-3762.

A full text of the commission's order, along with other documents related to this case, are available on the commission's Web site. Click on "File Room" and then on "Electric Cases" and scroll down to the case number.

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