

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION)
OF AVISTA UTILITIES FOR AN ORDER) **CASE NO. AVU-G-05-2**
APPROVING A CHANGE IN NATURAL GAS)
RATES AND CHARGES (2005 PURCHASED) **NOTICE OF APPLICATION**
GAS COST ADJUSTMENT))
) **NOTICE OF MODIFIED**
) **PROCEDURE**
)
) **ORDER NO. 29876**
)

On September 12, 2005, Avista Utilities (Avista, Company) filed its annual Purchased Gas Cost Adjustment (PGA) Application with the Idaho Public Utilities Commission (Commission) requesting authority to place new rate schedules in effect as of November 1, 2005 that will increase its annualized revenues by \$15.7 million (23.8%). 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. The Company contends that its 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 deadline for the filing of written comments and/or protests.

THE APPLICATION

YOU ARE HEREBY NOTIFIED that according to Avista's Application if the requested price increase is approved the Company's annual revenue will increase by approximately \$15.7 million or about 23.8%. The average residential customer using 70 therms per month would see an estimated increase of \$16.36 per month.

YOU ARE FURTHER NOTIFIED that Avista 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. Avista also defers the revenue received from the release of

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its storage capacity as well as various pipeline refunds or charges and miscellaneous revenue received from gas related transactions.

YOU ARE FURTHER NOTIFIED that the Company requests an increase in the prospective natural gas cost component included in the rates charged to customers by 21.443 cents per therm. This consists of an increase of 21.047 cents per therm related to the commodity cost of purchasing and transporting gas for customer usage and an increase of .396 cents per therm related to fixed pipeline costs.

YOU ARE FURTHER NOTIFIED that Avista requests an increase in the present WACOG from 55.739 cents per therm to 76.786 cents per therm, an increase of 21.047 cents. This reflects first-of-the-month (FOM) forward gas prices as of August 4, 2005, and the Company's hedges executed to date. The Company executes hedges to fix the price of gas on approximately 50% of its estimated annual gas sales for the year, and uses a dollar-cost averaging approach for executing hedges, with those volumes divided into 45-day execution windows between February 15 and November 15. The Company states that it has completed approximately 80% of its scheduled hedges for the upcoming PGA year, November through October.

YOU ARE FURTHER NOTIFIED that the Company is also proposing a change in the present amortization rate, which 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. Avista proposes to increase the amortization rate from the present surcharge of 3.093 cents per therm to 5.027 cents per therm. The Company states it has a deferred gas cost balance of approximately \$3.5 million as of June 30, 2005, reflecting higher gas costs than projected during the past year. The proposed increase in the amortization rate is expected to recover this balance over 12 months.

YOU ARE FURTHER NOTIFIED that the Company states that notice of its proposed increase 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 attached copies of these notices to its Application.

YOU ARE FURTHER NOTIFIED that the Application together with supporting workpapers, testimonies and exhibits (if any), have been filed with the Commission and are available for public inspection during regular business hours at the Commission offices. The Application and supporting documents are also available on the Commission's website at www.puc.idaho.gov under the "File Room" icon 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-05-2. 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 01.01.01.204.

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-05-2 is **October 20, 2005**. 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 & 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 and Governmental 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 the Applicant at the e-mail addresses listed above.

FINDINGS/CONCLUSIONS

The Idaho Public Utilities Commission has jurisdiction over Avista Utilities, its Application for an Order approving a change in natural gas rates and charges, 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

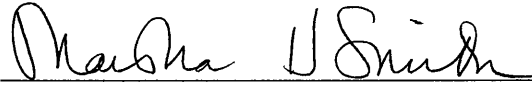
IT IS HERBY ORDERED that this case be processed under Modified Procedure. Persons interested in submitting written comments regarding this case or protesting the use of Modified Procedure should do so no later than October 20, 2005.

IT IS FURTHER ORDERED that pursuant to Rule 125, IDAPA 31.01.01.125, Commission Staff is directed to conduct a public workshop in Coeur d'Alene, Idaho in order to dispense information concerning the Company's Application and to receive written or oral comments from the public prior to the Staff filing its comments in this case. A separate Notice of Public Workshop will be issued with a specific date, time, and meeting place.

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 29th day of September 2005.



PAUL KJELLANDER, PRESIDENT



MARSHA H. SMITH, COMMISSIONER



DENNIS S. HANSEN, COMMISSIONER

ATTEST:



Jean D. Jewell
Commission Secretary

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