

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

**IN THE MATTER OF THE APPLICATION )**  
**OF AVISTA UTILITIES FOR AUTHORITY ) CASE NO. AVU-G-08-03**  
**TO CHANGE ITS NATURAL GAS RATES )**  
**AND CHARGES (2008 PURCHASED GAS ) NOTICE OF APPLICATION**  
**COST ADJUSTMENT) )**  
**) NOTICE OF**  
**) MODIFIED PROCEDURE**  
**)**  
**) NOTICE OF**  
**) COMMENT/PROTEST DEADLINE**

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On August 18, 2008, Avista Corporation dba Avista Utilities (Avista; Company) filed its annual Purchased Gas Cost Adjustment (PGA) Application with the Commission requesting authority to place new rate schedules in effect as of October 1, 2008 that would increase its annual natural gas revenues by approximately \$11.6 million or about 14.2%. The PGA mechanism is used to adjust rates for the purchase of gas from wholesale suppliers including transportation, storage, and other related costs of acquiring natural gas. Avista's earnings will not be increased as a result of the proposed changes in prices and revenues.

**NOTICE OF APPLICATION**

YOU ARE HEREBY NOTIFIED that Avista states that if the proposed changes in its PGA are approved its annual revenue will increase by approximately \$11.6 million or about 14.2%. The average residential or small commercial customer using 65 therms per month will see an estimated increase of \$10.44 per month, or approximately 13.9%. The present bill for 65 therms is \$75.14, while the proposed bill is \$85.58. The actual increase will vary based on customer usage. The proposed effective date of October 1, 2008 for the PGA rates is simultaneous with the proposed effective date of the rates contained in the Settlement Stipulation filed with the Commission on August 7, 2008 in Avista Case Nos. AVU-E/G-08-01.

The circumstances and conditions relied on for approval of the Company's revised rates are as follows: Avista purchases natural gas for customer usage and transports it over Williams Pipeline West (dba Northwest Pipeline Corporation), Gas Transmission Northwest (GTN), TransCanada (Alberta), TransCanada (BC), and West Coast Pipeline Systems and defers the effective timing differences due to implementation of rate changes and differences between

Avista's actual weighted average cost of gas (WACOG) purchased and WACOG embedded in rates. Avista also defers various pipeline refunds or charges and miscellaneous revenue received from gas-related transactions including pipeline capacity releases.

As reflected in attachments to the Company's filing, many factors have contributed to the volatility of natural gas prices, making this an especially challenging year for Avista as it purchases the commodity to serve its customers during the 2008-2009 heating season. The spring and summer natural gas prices, it states, soared to levels not seen since Hurricanes Rita and Katrina. Although natural gas prices decreased about 30% in August, prices remain above levels at this time a year ago.

The Company's Director of Natural Gas Supply, Kevin Christie, notes that an unusually long, cold spring depleted storage reserves across the country, that natural gas imports from Canada to the United States are declining, and that international demand has lured liquefied natural gas (LNG) away from the U.S., putting pressure on natural gas prices. Higher crude oil prices, he states, have also put upward pressure on natural gas prices. Pricing for both of those energy commodities, he states, tends to be correlated.

Avista follows a structured natural gas purchasing plan that allows for flexibility based on market prices and conditions. Currently, about 67% of estimated customer demand for the upcoming year is either pre-purchased or placed in storage. This year Avista has increased its underground Jackson Prairie storage capacity from 11% to 21% of expected annual demand requirements. Storage is a valuable asset that allows the Company to purchase lower cost gas during the spring and summer months and store it for use during the heating season when wholesale gas prices are typically highest. However, prices for natural gas during this year's spring and summer time period are higher than in prior years.

Avista's filing reflects the Company's proposed annual Purchased Gas Cost Adjustment (PGA) to (1) pass through changes in the estimated cost of natural gas for the forthcoming year (Schedule 150), and (2) revise the amortization rate(s) to refund or collect the balance of deferred gas costs (Schedule 155). Below is a table summarizing the proposed changes reflected in this filing.

Service	Schedule No.	Commodity Change per therm	Demand Change per therm	Total Sch. 150 Change	Sch. 155 Amort. per therm	Total Rate Change per therm	Percent Change
General	101	\$0.14623	\$0.00777	\$0.15400	\$0.00664	\$0.16064	13.9%
Lg. General	111	\$0.14623	\$0.00777	\$0.15400	\$0.00664	\$0.16064	15.7%
Interruptible	131	\$0.14623	--	\$0.14623	\$0.00664	\$0.15287	16.5%
Transport	146	--	--	--	--	\$0.00000	0.0%

YOU ARE FURTHER NOTIFIED that the Commission has jurisdiction over this matter and Avista Utilities, a public 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.*

YOU ARE FURTHER NOTIFIED that the Application and supporting workpapers and exhibits have been filed with the Commission and are available for public inspection during regular business hours at the Commission offices and at the Idaho offices of Avista Utilities. The Application is also available on the Commission’s website at [www.puc.idaho.gov](http://www.puc.idaho.gov) under “File Room” and then “Gas Cases.”

**NOTICE OF MODIFIED PROCEDURE**

YOU ARE FURTHER NOTIFIED that the Commission has reviewed the filings of record in Case No. AVU-G-08-03. 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 31.01.01.204.

**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-08-03 is **Tuesday, September 23, 2008**. 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 83702-5918

Kelly O. Norwood  
Vice President – State and Federal Regulation  
Avista Utilities  
PO Box 3727  
Spokane, WA 99220-3727  
E-mail: [kelly.norwood@avistacorp.com](mailto:kelly.norwood@avistacorp.com)

David J. Meyer  
Vice President and Chief Counsel  
for Regulatory & Government Affairs  
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PO Box 3727  
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E-mail: [david.meyer@avistacorp.com](mailto:david.meyer@avistacorp.com)

All 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](http://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 Avista at the e-mail addresses listed above.

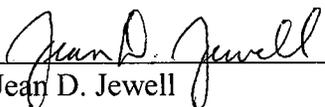
DATED at Boise, Idaho this 28<sup>th</sup> day of August 2008.

  
MACK A. REDFORD, PRESIDENT

  
MARSHA H. SMITH, COMMISSIONER

  
JIM D. KEMPTON, COMMISSIONER

ATTEST:

  
Jean D. Jewell  
Commission Secretary

bls/N:AVU-G-08-03\_sw