

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION)
OF AVISTA UTILITIES FOR AUTHORITY) CASE NO. AVU-G-09-02
TO DECREASE ITS NATURAL GAS RATES)
) ORDER NO. 30714
)

On September 30, 2008, the Commission approved Avista Utilities' annual Purchased Gas Cost Adjustment (PGA) application requesting authority to increase its annualized revenues by \$3.3 million. Order No. 30646. In its PGA application, the Company stated that current commodity futures prices supported the use of a \$0.78646 per therm weighted average cost of gas (WACOG) for its Schedule 150 tariff. The Commission also approved an amortization rate of 1.727 cents-per-therm for the Schedule 155 tariff used to refund the credit balance in the deferred gas cost account to customers.

On January 2, 2009, Avista filed an Application for authority to immediately adjust its amortization rate to refund additional deferred amounts to customers. More specifically, the Company seeks to increase its Schedule 155 amortization rate by 5.984 cents-per-therm (from 1.727 cents-per-therm to 7.711 cents-per-therm). This change results in an increase in the credit balance for customers of approximately \$4 million through October 31, 2009. Avista's earnings will not be decreased as a result of the proposed changes in prices and revenues. The Company requested that its new rates become effective January 6, 2009.

THE APPLICATION

With this Application, Avista seeks to increase the credit balance to be refunded to its residential, large general and interruptible customer classes in Schedules 101, 111 and 131, respectively, to \$4 million between January and October 2009. The Schedule 155 amortization rate approved by the Commission in September 2008 is designed to return to customers approximately \$1.3 million from October 1, 2008 through October 31, 2009. Since September 30, 2008, wholesale natural gas prices have fallen below the projected prices used to calculate the original (amended) PGA filing. As a result of lower-cost gas purchases, deferred gas costs (i.e., the refund balance) due customers have grown significantly. The proposed amortization rate refunds approximately \$4 million to customers based on projected customer usage between

January 6 and October 31, 2009. The Company is not proposing to decrease the \$0.78646 per therm WACOG approved by the Commission in September 2008. Order No. 30646.

The \$4 million refund to customers represents 72% of the deferral balance of \$5.6 million at the end of November 2008. The Company asserted that refunding the entire \$5.6 million would result in a refund rate of approximately 10 cents-per-therm and would increase the possibility of a rate increase on the 2009 PGA filing. To avoid a rate increase, Avista proposed the \$4 million refund.

Avista asserted that customers were being notified of its request to decrease rates through a media release coincident with the filing of its Application. The Company calculated that residential customers using an average of 65 therms per month will see a reduction in their monthly gas bill of \$3.89, from \$82.12 to \$78.23 per month. If approved, the Company maintained it will include a message in customers' bills notifying them of the decrease.

COMMENTS

Staff reviewed the Company's filing and the proposed increase in the amortization rate resulting in a refund to customers of approximately \$4 million during the remainder of the current PGA year. Although a larger rate decrease might be warranted, Staff agreed that the potential for a rate increase later in 2009 would then be greater. The Company will continue to defer all cost differences between the WACOG included in rates and the actual cost of gas incurred, and will continue to accrue interest on the balance of the deferrals. Staff recommends that the Company's Application requesting authority to decrease its natural gas rates be approved without further delay or comment to be effective January 6, 2009.

DISCUSSION

We have reviewed the record for this case, including the Application and Staff's comments. The Commission has jurisdiction over Avista Utilities, a public utility, its Application for authority to change rates and prices, and the issues involved in this case pursuant to Title 61 of the Idaho Code, and more specifically, *Idaho Code* §§ 61-117, 61-129, 61-307, 61-501, and 61-502.

The Commission is required to establish just, reasonable, and sufficient rates for utilities subject to our jurisdiction. *Idaho Code* § 61-502. The PGA mechanism is used to adjust rates to reflect annual changes in the costs for the purchase of gas from suppliers, including transportation, storage and other related costs of acquiring and delivering natural gas. The

Company's earnings are not affected by changes in prices and revenues resulting from the annual PGA. The PGA mechanism is designed to pass-through prudently incurred commodity costs in a timely fashion.

We find that wholesale natural gas prices have continued to fall, even below the projected prices included in Avista's September 2008 revised application. As a result of lower-cost gas purchases over the past few months, the refund balance due to customers has grown significantly since the Company's original PGA filing. In order to allow customers to receive the greatest benefit from a decrease in rates during the winter heating season, the Commission finds it in the public interest to immediately implement Avista's rate decrease without further procedural delay. Therefore, Avista Utilities' new amortization rate of 7.711 cents-per-therm shall be effective as of January 6, 2009. We further find this rate to be just and reasonable.

ORDER

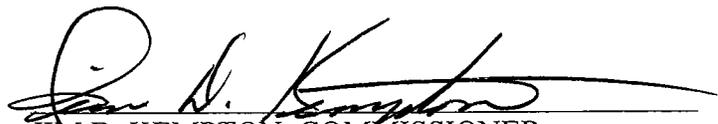
IT IS HEREBY ORDERED that Avista Utilities' Application is approved. The Company's Schedule 155 amortization rate shall be increased from 1.727 cents-per-therm to 7.711 cents-per-therm. The Company's conforming Schedule 155 shall become effective January 6, 2009.

THIS IS A FINAL ORDER. Any person interested in this Order (or in issues finally decided by this Order) may petition for reconsideration within twenty-one (21) days of the service date of this Order. Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. See *Idaho Code* §§ 61-626 and 62-619.

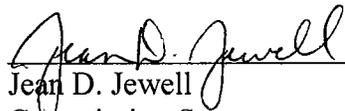
DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 6th
day of January 2009.


MACK A. REDFORD, PRESIDENT


MARSHA H. SMITH, COMMISSIONER


JIM D. KEMPTON, COMMISSIONER

ATTEST:


Jean D. Jewell
Commission Secretary

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