

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

**IN THE MATTER OF THE APPLICATION)
OF AVISTA CORPORATION DBA AVISTA) CASE NO. AVU-G-09-03
UTILITIES FOR AUTHORITY TO)
DECREASE ITS NATURAL GAS RATES) ORDER NO. 30851**

On May 19, 2009, Avista Corporation dba Avista Utilities (Avista; Company) filed an Application with the Idaho Public Utilities Commission (Commission) requesting authority to adjust its natural gas tariff Schedule 155 amortization rates to refund additional deferred amounts in its Purchased Gas Cost Adjustment (PGA) balancing account.

More specifically, the Company seeks to increase its monthly Schedule 155 amortization rate by 8.1¢ per therm from 7.711¢ to 15.805¢ for Schedules 101 (General Service) and 111 (Large General Service) customers. Schedule 101 residential and small commercial customers using an average of 65 therms per month will see a monthly bill reduction of \$5.26 (or 6.7%), from a present bill of \$78.23 to a bill of \$72.97 per month. Large interruptible customers (Schedule 131) will see a decrease in gas rates as their Schedule 155 amortization rate increases from 6.574¢ to 12.033¢ per therm. The Company requested that the proposed tariff changes be made effective on June 1, 2009. The Commission on May 29, 2009, in Interlocutory Order No. 30826, approved the rate decrease and established a schedule that allowed for investigation and written comment. The Commission in this Order reaffirms its prior Interlocutory Order and decrease in natural gas rates.

BACKGROUND

On September 30, 2008, the Commission in Avista's annual Purchased Gas Cost Adjustment (PGA) filing authorized the use of a \$0.78646 per therm weighted average cost of gas (WACOG) for the Company's Schedule 150 tariff. The Commission also approved an amortization rate of 1.727¢ per therm for the Schedule 155 tariff used to refund the credit amount in the deferred gas cost balancing account to customers. Case No. AVU-G-08-03, Order No. 30646.

Since September 30, 2008, wholesale natural gas prices have fallen below the projected prices used to calculate the approved WACOG. As a result of lower cost gas purchases, deferred gas cost (i.e., the refund balance) due customers has grown significantly.

On January 6, 2009, the Commission approved the Company's request to increase the Schedule 155 amortization rate from 1.727¢ per therm to 7.711¢ per therm to refund an increase of approximately \$4 million in the credit balance for customers through October 2008.

Avista states that it has received considerable feedback from customers regarding lower wholesale natural gas prices. Given this feedback, higher winter heating bills, and the ongoing recession, the Company believes that it is appropriate to again reduce natural gas rates. In this filing, the Company proposes to adjust the amortization rate to refund additional deferred amounts accumulated since November 2008 (December-April) to customers over a 12-month period. These additional deferred amounts result in an incremental balance of approximately \$6.4 million accumulated since November. The Company is not proposing to change the WACOG approved in 2008.

On May 29, 2009, the Commission issued a Notice of Application and Interlocutory Order No. 30826 in Case No. AVU-G-09-03 approving the Company's request for an increase in its Schedule 155 amortization rate and related reduction in natural gas rates for the proposed June 1, 2009, effective date.

The Commission on May 29 also issued a Notice of Modified Procedure and established a June 19, 2009, comment deadline. Commission Staff was the only party to file comments. Staff recommends that the Commission affirm its Interlocutory Order No. 30826, approve the Company-proposed natural gas rate decrease and accept the filed tariffs that accompanied the Company's Application. Staff recommends that the Commission reserve judgment on the Company's natural gas purchases and gas procurement policies until the annual PGA filing when these costs and policies are normally thoroughly reviewed.

Staff reviewed the Company's Application and supporting workpapers and believes the proposed decrease in retail natural gas rates is appropriate. Staff notes that the Company has currently locked in approximately 40% of its estimated winter load for the 2009-2010 heating season. The Jackson Prairie storage facility is approximately 45% full with a weighted average cost of gas (WACOG) in storage under \$.30 per therm, compared to the current WACOG embedded in rates of \$.78646 per therm. Barring any unforeseen natural disaster or pipeline catastrophe, Staff believes that customers should be able to expect a significant decrease in rates when Avista files its 2009 annual PGA in September 2009.

COMMISSION FINDINGS

The Commission has reviewed the filings of record in Case No. AVU-G-09-03 including the Company's Application and the comments and recommendations of Commission Staff. Avista requests a Commission Order decreasing gas rates to refund \$6,461,830 in the Company's Schedule 155 balance account due to customers. We find the proposed adjustment to be reflective of a decline in wholesale natural gas prices and in the public interest. The following chart illustrates the impact of the Company's request on the individual customer classes.

Schedule	Description	Current Rate per Therm	Proposed Change to Amortization Rate	Proposed Rate per Therm	Average Percentage Billing Change
101	General	\$1.14206	\$0.08094	\$1.06112	-6.72%
111	Large General	\$1.12569*	\$0.08094	\$1.04475	-7.79%
131	Large Interruptible	\$0.88688	\$0.05459	\$0.83229	-6.15%

*denotes retail rate for the first block of usage.

Staff has reviewed the Company's Application and supporting workpapers and recommends approval of the Company's Application. Based upon our review and consideration of the record in this case, we find it reasonable to reaffirm our Interlocutory Order No. 30826 approving the Company-proposed natural gas rate decrease for a June 1, 2009, effective date. We find the resultant rates to be just, reasonable and sufficient. *Idaho Code* § 61-502. We note that the Company's filing is only a mid-course adjustment to its Schedule 155 balancing account and not its annual PGA filing. As such the Commission in this case has not conducted a review of the Company's natural gas purchases and gas procurement policies.

CONCLUSIONS OF LAW

The Idaho Public Utilities Commission has jurisdiction over Avista Corporation dba Avista Utilities, a natural gas utility, and its Application in Case No. AVU-G-09-03 pursuant to Idaho Code, Title 61, and the Commission's Rules of Procedure, IDAPA 31.01.01.000 *et seq.*

ORDER

In consideration of the foregoing and as more particularly described above, IT IS HEREBY ORDERED and the Commission by this Order reaffirms its Interlocutory Order No. 30826 approving a change in the amortization rate for Schedule 155 from 7.711¢ per therm to

15.805¢ per therm and a resultant decrease in natural gas rates for an effective date of June 1, 2009. We find the tariffs filed in conformance with Interlocutory Order No. 30826 to be correct.

THIS IS A FINAL ORDER. Any person interested in 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.

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 25th day of June 2009.


JIM D. KEMPTON, PRESIDENT


MARSHA H. SMITH, COMMISSIONER


MACK A. REDFORD, COMMISSIONER

ATTEST:


Jean D. Jewell
Commission Secretary

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