

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

**IN THE MATTER OF THE APPLICATION)
OF AVISTA CORPORATION DBA AVISTA) CASE NO. AVU-G-09-05
UTILITIES FOR AUTHORITY TO CHANGE)
ITS NATURAL GAS RATES AND CHARGES) NOTICE OF APPLICATION
(2009 PURCHASED GAS COST)
ADJUSTMENT).) NOTICE OF
) MODIFIED PROCEDURE
)
) ORDER NO. 30912**

On September 15, 2009, Avista Corporation dba Avista Utilities (Avista; Company) filed its annual Purchased Gas Cost Adjustment (PGA) Application requesting authority to decrease its annualized revenues by approximately \$14.7 million. Application at 1. The PGA mechanism is used to adjust rates to reflect annual changes in Avista's costs for the purchase of natural gas from suppliers – including transportation, storage, and other related costs. Avista's earnings will not be decreased as a result of the proposed changes in prices and revenues. The Company requests that its Application be processed by Modified Procedure and that its rates become effective on November 1, 2009.

NOTICE OF APPLICATION

YOU ARE HEREBY NOTIFIED that the Company states that if the proposed changes are approved its annual revenue will decrease by approximately \$14.7 million or 17.8%. The average residential or small commercial customer using 66 therms per month will see a decrease of \$12.74 per month.

YOU ARE FURTHER NOTIFIED that the Company 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. The Company states that it also defers the revenue received from the release of its storage capacity as well as various pipeline refunds or charges and miscellaneous revenue received from gas-related transactions.

NOTICE OF APPLICATION
NOTICE OF MODIFIED PROCEDURE
ORDER NO. 30912

YOU ARE FURTHER NOTIFIED that Avista proposes decreasing the WACOG from the currently approved \$0.760 per therm to \$0.491 per therm. The Application asserts that wholesale gas prices have fallen dramatically since July 2008 and the Company has been hedging gas on a periodic basis throughout 2009 for the coming PGA year. The Company states that approximately 64% of its estimated annual load requirements for the PGA year will be hedged at a fixed price comprised of: (1) 42% of volumes hedged for a term of one year or less; (2) 10% of prior multi-year hedges; and (3) 12% from underground storage. The Company states that through August 2009, most of the planned hedge volumes for the PGA year have been executed at a weighted average price of \$0.582 per therm.

YOU ARE FURTHER NOTIFIED that the demand costs included in the Company's Application primarily represent the costs of pipeline transportation to the Company's system. Avista's proposal includes essentially no change in the demand cost included in rates. Application at 4.

YOU ARE FURTHER NOTIFIED that the Company is also proposing a change in the present amortization rate that is used to refund or surcharge customers the difference between actual gas costs and projected gas costs from the last PGA filing through the past year. The present amortization rate for firm sales customers is a \$0.1580 per therm refund. Avista is proposing a \$0.760 per therm increase in the amortization rate for firm sales customers. In order to mitigate a potential 2010 PGA increase, the Company proposes to refund the deferral balance over a two-year period, rather than one. Application at 4.

YOU ARE FURTHER NOTIFIED that Avista asserts that it has notified customers of its proposed decrease in rates by posting a notice at each of the Company's district offices in Idaho, by means of a press release distributed to various informational agencies, and by separate notice to each of its Idaho gas customers via a bill insert. The Company requests that this matter be handled under Modified Procedure pursuant to Rules 201-210 of the Commission's Rules of Procedure.

NOTICE OF MODIFIED PROCEDURE

YOU ARE FURTHER NOTIFIED that the Commission has determined that the public interest may not require a formal hearing in this matter and will proceed under Modified Procedure pursuant to Rules 201 through 204 of the Idaho Public Utilities Commission's Rules of Procedure, IDAPA 31.01.01.201 through .204. 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 any person desiring to state a position on this Application may file a written comment in support or opposition with the Commission **no later than October 16, 2009**. The comment must contain a statement of reasons supporting the comment. Persons desiring a hearing must specifically request a hearing in their written comments. Written comments concerning this Application shall be mailed to the Commission and the Applicant 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 & 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 & Governmental Affairs
Avista Utilities
PO Box 3727
Spokane, WA 99220-3727
Email: 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 home page 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 Avista at the e-mail addresses listed above.

YOU ARE FURTHER NOTIFIED that if no written comments or protests are received within the time limit set, the Commission will consider this matter on its merits and enter its Order without a formal hearing. If written comments are received within the time limit set, the Commission will consider them and, in its discretion, may set the same for formal hearing.

YOU ARE FURTHER NOTIFIED that the Application, supporting workpapers and exhibits have been filed with the Commission and are available for public inspection during regular business hours at the Commission offices. The Application and other workpapers are also available on the Commission's web site at www.puc.idaho.gov by clicking on "File Room" and then "Gas Cases."

YOU ARE FURTHER NOTIFIED that all proceedings in this matter will be held pursuant to the Commission's jurisdiction under Title 61 of the Idaho Code, and specifically *Idaho Code* §§ 61-307, 61-313, 61-503 and 61-622. The Commission may enter any final Order consistent with its authority under Title 61.

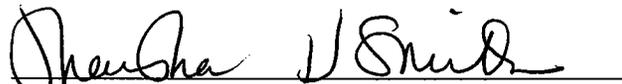
YOU ARE FURTHER NOTIFIED that all proceedings in this matter will be conducted pursuant to the Commission's Rules of Procedure, IDAPA 31.01.01.000, *et seq.*

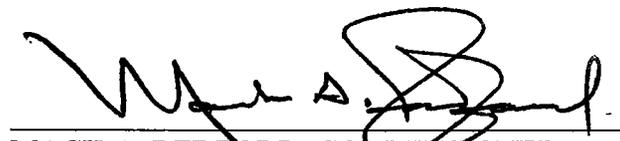
ORDER

IT IS HEREBY ORDERED that this case be processed under Modified Procedure. Interested persons and parties may file written comments **no later than October 16, 2009.**

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 29th day of September 2009.


JIM D. KEMPTON, PRESIDENT


MARSHA H. SMITH, COMMISSIONER


MACK A. REDFORD, COMMISSIONER

ATTEST:


Jean D. Jewell
Commission Secretary

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