

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

**IN THE MATTER OF THE APPLICATION )  
OF AVISTA UTILITIES FOR AUTHORITY ) CASE NO. AVU-G-10-03  
TO CHANGE ITS NATURAL GAS RATES )  
AND CHARGES (2010 PURCHASED GAS ) NOTICE OF APPLICATION  
COST ADJUSTMENT). )  
)  
) NOTICE OF  
) MODIFIED PROCEDURE  
)  
) ORDER NO. 32081**

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On September 15, 2010, Avista Corporation dba Avista Utilities filed its annual Purchased Gas Cost Adjustment (PGA) Application requesting authority to increase its annualized revenues by approximately \$3.1 million, or about 4.3%. 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 increased 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, 2010.

**NOTICE OF APPLICATION**

YOU ARE HEREBY NOTIFIED that the Company states that if the proposed changes are approved its annual revenue will increase by approximately \$3.1 million, or 4.3%. The average residential or small commercial customer using 63 therms per month will see an increase of \$2.75 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 various pipeline refunds or charges and miscellaneous revenue received from gas-related transactions, including pipeline capacity releases. Application at 2.

YOU ARE FURTHER NOTIFIED that Avista proposes *decreasing* the WACOG from the currently approved \$0.491 per therm to \$0.461 per therm. The Application asserts that

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daily wholesale natural gas prices have been higher this year than last year, thus impacting the cost of purchased natural gas for storage pricing. However, prices in the forward market have been lower this year than what is currently embedded in rates. The decrease in forward market prices offset the increase in storage prices, leading to a drop in the proposed WACOG.

YOU ARE FURTHER NOTIFIED that the Company has been hedging gas on a periodic basis throughout 2010 for the coming PGA year. The Company states that approximately 70% of its estimated annual load requirements for the PGA year will be hedged at a fixed price comprised of: (1) 41% of volumes hedged for a term of one year or less; (2) 19% of prior multi-year hedges; and (3) 10% from underground storage. The Company states that through August 2010, the planned hedge volumes for the PGA year have been executed at a weighted average price of \$0.542 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. Application at 3. Avista proposes a slight increase in demand charges due to a change in tariffs on the TransCanada (Alberta) and TransCanada (BC) pipelines. *Id.*

YOU ARE FURTHER NOTIFIED that the Company is also proposing an amortization rate of \$0.035 per therm for interruptible service customers and a rate of \$0.062 per therm for general and large general service customers. The change in amortization rates is a result of the large 2009 refund amortization rate. Included in the proposed refund rate is a substantial deferral balance that the Company was recovering over the past year through Schedule 155 that was not fully refunded to customers as natural gas loads for the winter 2009/2010 were softer than projected. As a result, the proposed amortization rate still reflects some level of previous deferrals, allowing for a lower proposed rate for customers.

YOU ARE FURTHER NOTIFIED that Avista asserts that it has notified customers of its proposed increase 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.

#### **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 21, 2010**. 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](mailto: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](mailto: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](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.

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](http://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.

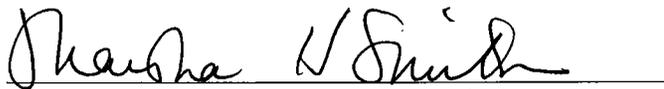
YOU ARE FURTHER NOTIFIED that all proceedings in this matter will be conducted pursuant to the Commission's Rules of Procedure, IDAPA 31.01.01.000, *et seq.*

### **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 21, 2010.**

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 30<sup>th</sup>  
day of September 2010.

  
JIM D. KEMPTON, PRESIDENT

  
MARSHA H. SMITH, COMMISSIONER

  
MACK A. REDFORD, COMMISSIONER

ATTEST:

  
Jean D. Jewell  
Commission Secretary

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