

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

**IN THE MATTER OF AVISTA)
CORPORATION DBA AVISTA UTILITIES') CASE NO. AVU-G-12-01
APPLICATION FOR AN ORDER)
APPROVING A CHANGE IN NATURAL GAS) ORDER NO. 32471
RATES AND CHARGES)**

On September 30, 2011, the Commission approved a new weighted average cost of gas (WACOG) for Avista Corporation dba Avista Utilities. The Commission also directed the Company to “promptly file an application to amend its WACOG should gas prices materially deviate from the presently approved [41.8 cents]¹ per therm.” Order No. 32370 at 5.

On February 15, 2012, in compliance with the above-referenced Order, Avista applied to the Commission for authority to decrease natural gas rates as a result of declining natural gas prices. More specifically, the Company asked to decrease its WACOG to 36.2 cents per therm. The Company states the new rates will decrease annual revenues by about \$4.1 million but will not decrease its earnings. The Company notes that under its proposal, the average residential or small business customer bill will decrease by about \$3.46 per month, while the average, large commercial customer bill will decrease by about 7.30%. The Company asks that the new rates take effect on March 1, 2012.

With this Order, the Commission approves the Company’s Application.

THE APPLICATION

Avista seeks to amend its existing rates and charges for natural gas service as reflected in a proposed, Seventeenth Revision Sheet 150 to approved Tariff IPUC No. 27. Application at 2. The Company says that if the Commission approves the proposed tariff sheet, the Company’s annual revenue will decrease by approximately \$4.1 million (about 6.0%). The changes will not affect the Company’s net income. *Id.*

The Application reflects Avista’s proposed out-of-period Purchased Gas Cost Adjustment (PGA) to pass through to customers changes in the estimated cost of natural gas for the eight months from March 2012 through October 2012. *Id.* at 2. The Company estimates the

¹ The Order approved a WACOG of \$0.41797 per therm.

WACOG will decrease by 5.6 cents per therm (i.e., a decrease from the currently approved 41.8 cents per therm to the proposed 36.2 cents per therm). *Id.* at 3.

In the Application, the Company notes that its 2011 PGA filing estimated costs associated with index/spot prices by using a 30-day historical average of forward prices ending August 22, 2011 by supply basin. The estimated monthly volumes to be purchased by basin are multiplied by the (30-day) average price for the corresponding month and basin. These index/spot volumes represented approximately 30% of estimated annual load requirements for the PGA year. *Id.*

The Company notes that average, daily wholesale prices of natural gas have declined substantially from the forward prices used in the 2011 PGA filing. While we are now 5 months into the present 13-month PGA year (October 2011 through October 2012), Avista believes that it is in its customers' best interest to update the pricing of the remaining estimated index/spot volumes and pass those lower index prices to customers now through a lower overall rate. The Company also believes that this is in compliance with Order No. 32370 which, when approving the Company's 2011 PGA, stated that "Avista promptly file an application to amend its WACOG should gas prices materially deviate from the presently approved \$0.41797 per therm" rate. *Id.* at 5.

Avista is not proposing changes to Schedule 150's other components (demand costs, variable transportation, etc.) or to current amortization rates (Schedule 155). The Company says it will propose changes to those items in the normal annual PGA filing in September 2012. *Id.*

The Company says that if the Commission approves the Application, the average residential or small business customer using 62 therms per month will see a decrease of \$3.46 per month, or about 5.68%. Larger commercial customers can expect an average decrease of about 7.30% for general service (Schedule 111), and about 9.74% for interruptible service (Schedule 131). *Id.* at 2 and Exhibit B (Notice of Public Applicant's Proposed Tariffs).

Avista notified the public of the proposed decrease by posting notice at its Idaho district offices and issuing a press release. If the Application is approved, the Company maintains that it will also notify customers by placing a message on their bills. Application at 2.

STAFF RECOMMENDATION

After examining Avista's Application, Staff believes that the accounting treatment used by the Company is appropriate. By only proposing a change to the WACOG, only

Commodity Charges contained within Schedule 150 are affected. Current demand charges and transportation rates in Schedule 150 and current amortization rates in Schedule 155 are unaffected. The reduction in the WACOG reflected in this filing will affect rates collected once approved. Variation between actual and projected gas prices will be deferred and become part of the true-up of the Company's balancing account in the Company's normal PGA filing expected to be effective October 1, 2012.

Staff compared Avista's changes of projected index and spot gas prices for non-hedged volumes of natural gas to NYMEX/NGX futures prices for basins from which the Company sources its gas. Based on its analysis, Staff believes that the Company's proposed WACOG is reasonable. Staff believes that the proposed decreases from the Company's previous PGA filing provide sufficient cause to allow the rates to take effect on less than 30 days' notice. *See* Rule 123 and 134 (rates and changes may take effect on less than 30 days' notice if "the Commission approves an earlier effective date for good cause shown"). Therefore, Staff recommended the Commission approve the Company's Application to decrease rates without further delay or comment, and that the rates take effect March 1, 2012.

Staff has also found evidence that index gas prices have continued to soften since Avista prepared its Application. Staff recommended the Company be required to continue to monitor future index and spot prices and be required to file another application to amend its WACOG should gas prices materially deviate from the proposed rate of \$0.36216 per therm.

FINDINGS AND DISCUSSION

The Commission has jurisdiction over Avista Corporation, 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, along with the Commission's Rules of Procedure, IDAPA 31.01.01.000, *et seq.*

The Commission must establish just, reasonable, and sufficient rates for utilities subject to its jurisdiction. *Idaho Code* § 61-502. The PGA mechanism is used to adjust rates to reflect changes in the costs for the purchase of gas from suppliers, including transportation, storage and other related costs of acquiring and delivering natural gas. Consistent with Order No. 32370, the Company must promptly seek to adjust its rates whenever natural gas prices materially deviate from the Commission-approved WACOG.

Here, natural gas prices have materially decreased since the Commission approved the Company's current WACOG of \$41.8 cents per therm. Consequently, the Commission finds that the Company has appropriately filed to decrease its WACOG. The Commission finds that the proposed WAGOG of \$0.36216 per therm is reasonable and that, under the circumstances, allowing customers to immediately benefit from the resulting rate decrease is sufficient cause to let the rates take effect on less than 30 days' notice. *See Idaho Code* § 61-307, and Rules 123 and 134 (rates and changes may take effect on less than 30 days' notice if the Commission approves an earlier effective date for good cause). Accordingly, the Commission approves the requested effective date of March 1, 2012.

The Commission commends the Company for promptly seeking to amend its WACOG and decrease rates. The Commission finds it appropriate for the Company to continue to monitor future index and spot prices and to seek to amend its WACOG again if gas prices materially deviate from \$0.36216 per therm.

ORDER

IT IS HEREBY ORDERED that Avista's Application is approved. The Company is authorized to pass-through its proposed rate decrease to customers as filed. The Company's WACOG shall decrease from \$0.41797 per therm to \$0.36216 per therm. The Company's proposed tariff sheet at Exhibit A to the Application is approved as filed with an effective date of March 1, 2012.

IT IS FURTHER ORDERED that Avista shall promptly apply to amend its WACOG if gas prices materially deviate from the presently approved \$0.36216 per therm.

IT IS FURTHER ORDERED that Avista shall continue to file quarterly WACOG projections and monthly deferred-cost reports with the Commission.

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.

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 28th
day of February 2012.



PAUL KJELLANDER, PRESIDENT



MACK A. REDFORD, COMMISSIONER

Out of the Office on this Date

MARSHA H. SMITH, COMMISSIONER

ATTEST:



Jean D. Jewell
Commission Secretary

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