

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

**IN THE MATTER OF AVISTA)
CORPORATION'S APPLICATION TO) CASE NO. AVU-G-12-05
CHANGE ITS RATES AND CHARGES (2012)
PURCHASED GAS COST ADJUSTMENT).) NOTICE OF APPLICATION
)
) NOTICE OF
) MODIFIED PROCEDURE
)
) ORDER NO. 32615**

On July 31, 2012, Avista Corporation dba Avista Utilities filed its annual Purchased Gas Cost Adjustment (PGA) Application asking to *decrease* its annualized revenues by about \$3.6 million (5.4%). Application at 1.¹ The Company says its proposal will not affect its earnings and will *decrease* the average, residential or small commercial customer's bill by about \$4.42 per month (7.9%). *Id.* at 4. The Company asks for the Application to be processed by Modified Procedure, and for the new rates to take effect October 1, 2012. *Id.* at 5.

NOTICE OF APPLICATION

YOU ARE HEREBY NOTIFIED that Avista distributes natural gas in northern Idaho, eastern and central Washington, and southwestern and northeastern Oregon. *Id.* at 2.² The Company buys natural gas and then transports it through pipelines for delivery to customers. *Id.* at 2. 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. *Id.* The Company also defers various pipeline refunds or charges and miscellaneous revenue received from natural gas related transactions, including pipeline capacity releases. *Id.* In its annual PGA filing, the Company proposes to (1) pass any change in the estimated cost of natural gas for the next 13 months to customers (Schedule 150); and (2) revise the amortization rates to refund or collect the balance of deferred gas costs (Schedule 155). *Id.* at 2, 4.

¹ The PGA mechanism is used to adjust rates to reflect annual changes in the Company's costs for the purchase of natural gas from suppliers – including transportation, storage, and other related costs.

² The Company also generates, transmits, and distributes electricity in northern Idaho and eastern Washington. *Id.*

YOU ARE FURTHER NOTIFIED that the Company says its present PGA filing, if approved, would impact customers as follows:

| Service | Schedule No. | Commodity Change per Therm | Demand Change per Therm | Total Sch. 150 Change | Amortization Change per Therm | Total Rate Change per Therm | Overall Percent Change |
|---------------|--------------|----------------------------|-------------------------|-----------------------|-------------------------------|-----------------------------|------------------------|
| General | 101 | (\$0.02931) | (\$0.00849) | (\$0.03780) | (\$0.00890) | (\$0.04670) | (5.02%) |
| Lg. General | 111 | (\$0.02931) | (\$0.00849) | (\$0.03780) | (\$0.00890) | (\$0.04670) | (6.31%) |
| Interruptible | 131 | (\$0.02931) | \$0.00000 | (\$0.02931) | (\$0.00203) | (\$0.03134) | (6.06%) |

YOU ARE FURTHER NOTIFIED that Avista proposes *decreasing* the commodity cost (i.e., the WACOG) from the currently approved \$0.362 per therm to \$0.333 per therm, for a \$0.029 per therm decrease. *Id.* at 3.

YOU ARE FURTHER NOTIFIED that Avista says it periodically hedged gas throughout 2012 for the coming PGA year (13 months), and that it will hedge about 60% of its estimated annual load requirements for the PGA year (October 2012 – October 2013) at a fixed price comprised of: (1) 11% of volumes hedged for a term of one-year or less; (2) 29% of volumes from prior multi-year hedges; and (3) 20% of volumes from underground storage. *Id.* Through June, the planned hedge volumes for the PGA year have been executed at a weighted average price of \$0.309 per therm. *Id.*

YOU ARE FURTHER NOTIFIED that Avista says overall prices today are lower than they were in 2011. The Company notes it filed an out-of-cycle PGA in February 2012 to reflect lower spot prices, and that since then natural gas prices have stabilized at a much lower level than this time last year. Further, natural gas prices during the storage injection season (April-September) have been lower than they were in 2011. *See* Application at 4. These decreased prices have lowered the storage WACOG below what is currently in embedded rates. *Id.* The lower cash prices and forward prices for the upcoming PGA year have provided the opportunity to hedge natural gas at a cost below what is embedded in rates. *Id.*

YOU ARE FURTHER NOTIFIED that Avista says its demand costs account for pipeline capacity releases and represent the costs to transport gas through pipelines to the Company's system. The Company proposes *decreasing* demand costs because increasing estimated pipeline capacity releases and decreasing costs from the Canadian pipelines more than offset increased demand costs arising from the recent Northwest Pipeline rate case approved by FERC. *Id.*

YOU ARE FURTHER NOTIFIED that Avista proposes to increase the amortization refund rate by \$0.00890 per therm (from \$0.02885 per therm to \$0.03775 per therm). *Id.* The Company says this increase is driven by the recent decline in the wholesale cost of natural gas, which has resulted in a net refund deferral balance of about \$3.1 million. The Company proposes to refund this balance to customers over the next 13 months, assuming normal weather. *Id.*

YOU ARE FURTHER NOTIFIED that Avista says it notified customers of its proposed tariffs by posting notice at each of its Idaho district offices, through a press release. Further, the Company says it will send notice to each customer in a bill insert before the changes take effect. *Id.* at 2.

NOTICE OF MODIFIED PROCEDURE

YOU ARE FURTHER NOTIFIED that the Commission has determined that the public interest may not require a formal evidentiary hearing in this matter and will proceed under Modified Procedure pursuant to the Commission's Rules of Procedure 201 through 204, IDAPA 31.01.01.201 through .204. The Commission notes that Modified Procedure (with written comments) has proven to be an effective means for obtaining public input and participation in cases of this nature.

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 September 17, 2012**. 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 parties at the addresses reflected below:

Commission Secretary
Idaho Public Utilities Commission
PO Box 83720
Boise, ID 83720-0074

Kelly O. Norwood
Vice President State and Federal
Avista Utilities
PO Box 3727
Spokane, WA 99220-3727
E-mail: kelly.norwood@avistacorp.com

Street Address for Express Mail:

472 W. Washington Street
Boise, ID 83702-5918

David J. Meyer
Vice President and Chief Counsel of
Regulatory and Governmental Affairs
Avista Utilities
PO Box 3727
Spokane, WA 99220-3727
E-mail: 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 form, using the case number as it appears on the front of this document. E-mail comments should also be sent to Avista at the 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* §§ 61-118, 61-119, 61-502, and 61-503. The Commission may enter any final Order consistent with its authority under Title 61.

NOTICE OF APPLICATION
NOTICE OF MODIFIED PROCEDURE
ORDER NO. 32615

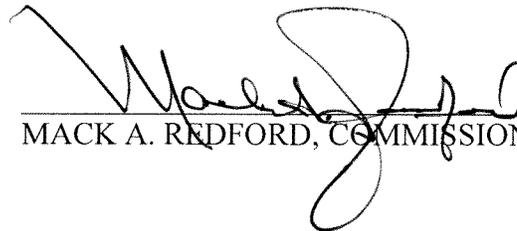
YOU ARE FURTHER NOTIFIED that all proceedings in this matter will be conducted pursuant to the Commission's Rules of Procedure, IDAPA 31.01.01.000, *et seq.*

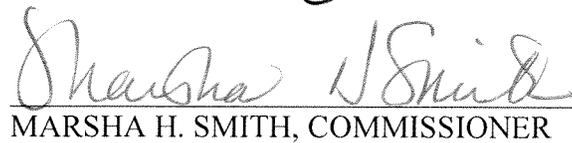
ORDER

IT IS HEREBY ORDERED that this case be processed under Modified Procedure. Interested persons may file comments no later than September 17, 2012.

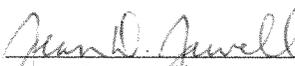
DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 14th day of August 2012.


PAUL KJELLANDER, PRESIDENT


MACK A. REDFORD, COMMISSIONER


MARSHA H. SMITH, COMMISSIONER

ATTEST:


Jean D. Jewell
Commission Secretary

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