

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF AVISTA)
CORPORATION'S APPLICATION TO) **CASE NO. AVU-G-14-04**
CHANGE ITS RATES AND CHARGES (2014)
PURCHASED NATURAL GAS COST) **NOTICE OF APPLICATION**
ADJUSTMENT))
) **NOTICE OF**
) **MODIFIED PROCEDURE**
)
) **ORDER NO. 33133**

On September 15, 2014, Avista Corporation dba Avista Utilities filed its annual Purchased Gas Cost Adjustment (PGA) Application. The PGA is a rate mechanism used to adjust rates up or down to reflect changes in the market price of natural gas, and changes in transportation and storage costs. These changes in Avista's natural gas costs are deferred to the PGA account. In this Application, Avista proposes to decrease its PGA rates an average of 2.1%, or about \$1.6 million per year. Application at 1. As set out in greater detail below, Avista's proposal will *decrease* the average residential or small commercial customer's rates by \$1.16 per month (about 2%). *Id.* at 4. Avista also proposes that large commercial customers' rates *decrease* by about 2%, but Avista's sole interruptible customer's PGA rate *increase* by about 0.2%. *Id.* at 3. Avista's proposal will not affect its earnings. Avista asks that its Application be processed by Modified Procedure, and that the new rates take effect November 1, 2014. *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. Avista buys natural gas and then transports it through pipelines for delivery to customers. *Id.* In this PGA Application, Avista proposes to: (1) pass any change in the estimated cost of natural gas for the next 12 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.

YOU ARE FURTHER NOTIFIED that Avista proposes to change its PGA rates for its three customer classes as follows:

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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	\$0.01160	(\$0.00022)	\$0.01138	(\$0.03071)	(\$0.01933)	(1.91%)
Lg. General	111	\$0.01160	(\$0.00022)	\$0.01138	(\$0.03071)	(\$0.01933)	(2.49%)
Interruptible	131	\$0.01160	0.00000	\$0.01160	\$0.00119	\$0.01279	0.20%

YOU ARE FURTHER NOTIFIED that “commodity costs” are a company’s variable costs for natural gas. The weighted average cost of gas (WACOG), which also includes other variable administrative costs, approximates a company’s commodity costs. Avista estimates that its commodity costs will *increase* \$0.0116 per therm from the currently approved \$0.374 per therm to \$0.385 per therm. *Id.* at 3.

YOU ARE FURTHER NOTIFIED that Avista periodically hedged gas throughout 2014 for use during the coming PGA year (12 months). Utilities engage in “hedging” to minimize the price volatility of natural gas and other fossil fuels. Order No. 32697 at 37. Avista states that it will hedge about 35% of its estimated annual load requirements for the PGA year (November 2014 – October 2015) at a fixed price comprised of: (1) 13% of volumes hedged for a term of one year or less; and (2) 22% of volumes from prior multi-year hedges. *Id.* Through June, the planned hedge volumes for the PGA year have been executed at a weighted average price of \$0.425 per therm. *Id.*

YOU ARE FURTHER NOTIFIED that Avista’s demand – or fixed – costs are primarily costs to transport gas on interstate pipelines to Avista’s local distribution system. *Id.* at 4. Avista proposes *decreasing* demand costs due to high projected-usage for fixed-demand costs which more than offset expiring short-term capacity release credits on Northwest Pipeline and increasing summer capacity on TCPL-Alberta pipeline. *Id.*

YOU ARE FURTHER NOTIFIED that Avista proposes *decreasing* the amortization refund rate by \$0.03071 per therm (from a \$0.00015 per therm surcharge to a \$0.03056 per therm rebate). *Id.* at 4. This decrease is driven by changes in the demand portion of the amortization rate, including: (1) colder than normal weather during the 2013-2014 winter, resulting in higher demand cost collections; (2) Avista entered into a new Deferred Exchange contract, effective April 2014, for which Avista charges a fixed per therm charge; and (3) an error regarding allocation of Avista’s transport costs between power supply operations and natural gas distribution operations, resulting in a net benefit to customers. *Id.*

YOU ARE FURTHER NOTIFIED that Avista asserts it has notified customers of its proposed tariffs by posting notice at each of its Idaho district offices, and through a press release. *Id.* at 2. Also, Avista says it will send notice to each customer in bill inserts from September 17 through October 15, 2014. *Id.*

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 17, 2014**. 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 Avista 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 and Federal
Avista Utilities
PO Box 3727
Spokane, WA 99220-3727
E-Mail: kelly.norwood@avistacorp.com

David J. Meyer
Vice President and Chief Counsel of
Regulatory and Governmental Affairs
Avista Utilities
PO Box 3727
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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 "Case Comment or Question

Form” under the “Consumers” tab, 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 exhibits are also available on the Commission’s web site at www.puc.idaho.gov. Click on the “File Room” tab at the top of the page, scroll down to “Open Gas Cases,” and then click on the case number as shown on the front of this document.

YOU ARE FURTHER NOTIFIED that all proceedings in this case 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.

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 Avista Corporation’s PGA Application be processed under Modified Procedure, IDAPA 31.01.01.201-.204. Interested persons may file written comments regarding this matter no later than October 17, 2014.

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 23rd
day of September 2014.



PAUL KJELLANDER, PRESIDENT

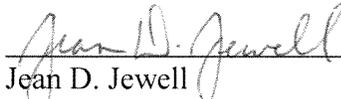


MACK A. REDFORD, COMMISSIONER



MARSHA H. SMITH, COMMISSIONER

ATTEST:



Jean D. Jewell
Commission Secretary

O:AVU-G-14-04_djh