

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

**IN THE MATTER OF AVISTA)
CORPORATION’S APPLICATION TO) CASE NO. AVU-G-15-02
CHANGE ITS NATURAL GAS RATES AND)
CHARGES (2015 PURCHASED GAS COST) NOTICE OF APPLICATION
ADJUSTMENT))
)
) NOTICE OF
) MODIFIED PROCEDURE
)
)
) ORDER NO. 33371**

On August 27, 2015, Avista Corporation dba Avista Utilities filed its annual Purchased Gas Cost Adjustment (PGA) Application. The PGA is, in summary, a Commission-approved mechanism that adjusts rates up or down to reflect changes in Avista’s costs to buy natural gas from suppliers—including changes in transportation, storage, and other related costs. Avista defers these costs into its PGA account, and then passes them to customers through an increase or decrease in rates.

With this Application, Avista proposes to *decrease* its PGA rates by about \$10.3 million (14.5%). Application at 1. As detailed below, Avista’s proposal would *decrease* the average residential or small commercial customer’s rates by \$7.94 per month (about 13.4%). Large commercial customers’ rates would *decrease* by about 18%, and the rate of Avista’s sole customer receiving interruptible service would *decrease* by about 24.6%. Avista’s proposal would not affect Avista’s earnings. *Id.* at 2-3. Avista asks the Commission to process the Application by Modified Procedure, and that the new rates take effect November 1, 2015. *Id.* at 5.

NOTICE OF APPLICATION

A. Overview of Proposed Rates

YOU ARE HEREBY NOTIFIED that Avista distributes natural gas in northern Idaho, eastern and central Washington, and southwestern and northeastern Oregon. Avista buys natural gas and then transports it through pipelines for delivery to customers. 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 (Tariff Schedule 150); and (2) revise the amortization rates to

refund or collect the balance of deferred gas costs (Tariff Schedule 155). Avista proposes to change its PGA rates for its three customer classes 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	\$(0.013312)	\$0.00133	\$(0.13179)	\$0.00170	(\$0.13009)	(13.4%)
Lg. General	111	\$(0.013312)	\$0.00133	\$(0.13179)	\$0.00170	(\$0.13009)	(18.0%)
Interruptible	131	\$(0.013312)	0.00000	\$(0.13312)	\$(0.02097)	(\$0.15409)	(24.6%)

Id. at 2-4. Avista’s proposed changes to Schedules 150 and 155 and Avista’s rates are further explained below.

B. Schedule 150

YOU ARE FURTHER NOTIFIED that the tariff Schedule 150 portion of the PGA has two parts: the “commodity costs” and the “demand costs.”

YOU ARE FURTHER NOTIFIED that Avista’s “commodity costs” are the variable costs at which Avista must buy natural gas. The weighted average cost of gas (WACOG), which also includes other variable administrative costs, approximates a company’s commodity costs. In this case, Avista estimates that its commodity costs will *decrease* by \$0.0133 (13.3¢) per therm, from the currently approved \$0.385 (38.5¢) per therm to \$0.252 (25.2¢) per therm. *Id.* at 3. In an effort to minimize its and its customers exposure to volatile and potentially rising natural gas commodity costs, Avista has used a diversified approach to procure natural gas, including “hedging” strategies, the use of underground storage capacity, and estimating the cost of index purchases using a 30-day historical average of forward prices and supply basins. *Id.* at 3-4.

YOU ARE FURTHER NOTIFIED that Avista’s “demand costs” are its fixed-capacity costs for interstate transportation and underground storage, as well as capacity releases that are credited back to customers. The demand costs primarily are costs to transport gas on interstate pipelines to Avista’s local distribution system. Avista proposes a \$0.0013 per therm increase in the overall demand rate for customer Schedules 101 and 111. Avista’s proposed demand rate includes the new cost of transporting gas over TransCanada-Gas Transmission Northwest, which is to take effect on January 1, 2016. *See id.* at 4.

C. Schedule 155

YOU ARE FURTHER NOTIFIED that tariff Schedule 155 reflects the amortization of Avista’s deferral account. With this Application, Avista proposes to increase Schedules 101 and 111 amortization rate by \$0.03071 per therm, from the current \$0.03056 per therm rebate rate to a \$0.02886 per therm rebate rate. *Id.* at 4. Avista explains that lower than expected wholesale natural gas prices contributed to the proposed amortization rate by causing Avista to collect revenues that exceeded its costs. Avista notes, however, that part of the benefit from reduced wholesale gas prices was offset by an under collection of fixed-demand costs that resulted from a warmer-than-normal winter. *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 3, 2015 through October 2, 2015. *Id.*

YOU ARE FURTHER NOTIFIED that the Application and its exhibits have been filed with the Commission and are available for public inspection during regular business hours at the Commission offices. These documents 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 “Natural Gas Cases,” and 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* §§ 61-501, -502, and -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.*

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 9, 2015**. 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	Kelly O. Norwood Vice President of State and Federal Regulation Avista Utilities 1411 E. Mission Avenue 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 for Regulatory and Governmental Affairs Avista Utilities 1411 E. Mission Avenue 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. Scroll to the "Consumers" tab, click the "Utility Case Comment or Question Form," and complete the 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 Avista shall file reply comments, if necessary, **no later than October 15, 2015**.

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.

ORDER

IT IS HEREBY ORDERED that Avista's PGA Application be processed under Modified Procedure, IDAPA 31.01.01.201-.204. Interested persons wishing to file written comments must do so no later than October 9, 2015. Avista may file a reply, if any, no later than October 15, 2015.

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this ^{1st} day of September 2015.



PAUL KJELLÄNDER, PRESIDENT



MARSHA H. SMITH, COMMISSIONER



KRISTINE RAPER, COMMISSIONER

ATTEST:



Jean D. Jewell
Commission Secretary

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