Office of the Secretary
Service Date
October 23, 2015

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF AVISTA CORPORATION DBA AVISTA UTILITIES' APPLICATION TO CHANGE ITS NATURAL GAS RATES AND CHARGES (2015 PURCHASED GAS COST ADJUSTMENT)	**CASE NO. AVU-G-15-02** **ORDER NO. 33402**

On August 27, 2015, Avista Corporation dba Avista Utilities filed its annual Purchased Gas Cost Adjustment (PGA) Application. The PGA is 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%), effective November 1, 2015.

On September 1, 2015, the Commission issued a Notice of Application and Notice of Modified Procedure setting an October 9, 2015 deadline for interested persons to comment on the Application, and an October 15, 2015 deadline for Avista to file reply comments. Commission Staff filed the only comments in the case, and supported Avista's Application.

Having reviewed the record, we issue this Order approving Avista's Application and proposed tariffs as filed, effective November 1, 2015.

THE APPLICATION

A. Overview of Proposed Rates

With this Application, Avista proposes to: (1) pass changes 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's proposal would *decrease* PGA rates for 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	$(0.013312)	$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)%**

These changes would *decrease* Avista's PGA rates by about $10.3 million (14.5%), but would not affect Avista's earnings. The average residential or small commercial customer's rate would decrease by about $7.94 per month. The new rates would take effect on November 1, 2015.

Avista's proposed changes to Schedules 150 and 155 are further discussed below.

B. Schedule 150

Avista explains that the Schedule 150 portion of the PGA has two parts: the "commodity costs" and the "demand costs." Avista's "commodity costs" are the variable costs at which Avista must buy natural gas. The weighted average cost of gas (WACOG) approximates Avista's commodity costs. The WACOG includes fuel charges to move gas at the city gate, plus some variable transport costs, and Gas Research Institute (GRI) funding. It does not include third-party gas management fees. In this case, Avista estimates that its commodity costs will *decrease* by $0.0133 (13.3¢) per therm, from the currently approved WACOG of $0.385 (38.5¢) per therm to $0.252 (25.2¢) per therm. In an effort to minimize the Company's 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

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.

C. Schedule 155

Avista explains that tariff Schedule 155 reflects the amortization of Avista's deferral account. With this Application, Avista proposes to increase the amortization rate for customer Schedules 101 and 111 by $0.00170 per therm, which will decrease the rebate that customers currently enjoy from $0.03056 per therm rebate to $0.02886 per therm. 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.

THE COMMENTS

Commission Staff supported Avista's Application. Staff assessed the reasonableness of Avista's proposal by examining Avista's gas purchases for the year, and Avista's fixed-price hedges, pipeline transportation and storage costs, and estimates of future commodity prices. Staff also reviewed Avista's jurisdictional allocations and the reasonableness of Avista's Lost and Unaccounted for Gas (LAUF) volumes.[1] Staff confirmed that the proposed changes to Schedules 150 and 155 accurately capture Avista's fixed and variable costs given the coming year's forecasted gas purchases, and properly amortize the deferral balance from the prior year. Staff also verified that Avista's proposed PGA will not change Avista's earnings.

Based on this review, Staff recommended the Commission approve Avista's PGA Application and proposed tariffs as filed. Specifically, Staff recommended the Commission approve, with an effective date of November 1, 2015, Avista's proposed: (1) Tariff Schedule 150, including the proposed WACOG of $0.252 per therm; and (2) Tariff Schedule 155, including the proposed $0.00170 per therm increase in the amortization rate for customer Schedules 101 and 111, and including the $0.02886 per therm credit to customers. Staff noted this change will result in an overall customer refund of about $2.3 million. Staff also recommended that Avista apply to amend its proposed WACOG if gas prices materially deviate from the proposed WACOG during the upcoming year.

DISCUSSION AND FINDINGS

The Commission has reviewed the record, including the Application and comments. Avista is a gas corporation and public utility, and the Commission has jurisdiction over it and the issues in this case under Title 61 of the Idaho Code, and more specifically, *Idaho Code* §§ 61-117, 61-129, 61-307, 61-501, and 61-502. The Commission must establish just, reasonable, and sufficient rates for utilities subject to its jurisdiction. *Idaho Code* § 61-502.

Based on our review of the record, we find that Avista's proposed Schedules 150 and 155 accurately capture Avista's fixed and variable costs in light of forecasted gas purchases, and properly amortize Avista's deferral balance from the prior year. We thus find it fair, just, and

[1] LAUF Gas is the difference between the volumes of natural gas delivered to the distribution system at the city gate and volumes of natural gas billed to customers at the meter.

reasonable to approve Avista's proposed Schedule 150, including the proposed WACOG of $0.252 per therm, and proposed Schedule 155 with an amortization rate of $0.02886 per therm. As always, we expect Avista to promptly apply to amend its WACOG if gas prices materially deviate from the WACOG approved in this Order.

O R D E R

IT IS HEREBY ORDERED that Avista's PGA Application is approved. Avista shall establish a WACOG of $0.252 per therm, and a Schedule 155 amortization rate of $0.02886 per therm. Avista's proposed tariffs are approved as filed for service rendered on and after November 1, 2015.

IT IS FURTHER ORDERED that Avista shall promptly apply to amend its WACOG if gas prices materially deviate from the WACOG approved in this Order.

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 23rd day of October 2015.

PAUL KJELLANDER, PRESIDENT

MARSHA H. SMITH, COMMISSIONER

KRISTINE RAPER, COMMISSIONER

ATTEST:

Jean D. Jewell
Commission Secretary

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