

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

**IN THE MATTER OF AVISTA)
CORPORATION'S APPLICATION TO) CASE NO. AVU-G-16-02
CHANGE ITS NATURAL GAS RATES AND)
CHARGES (2016 PURCHASED GAS COST) NOTICE OF APPLICATION
ADJUSTMENT))
)
) NOTICE OF
) MODIFIED PROCEDURE
)
)
) ORDER NO. 33594**

On August 29, 2016, Avista Corporation dba Avista Utilities filed its annual Purchased Gas Cost Adjustment (PGA) Application. By way of summary, 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 on to customers through an increase or decrease in rates.

With this Application, Avista proposes to *decrease* its PGA rates by about \$6.1 million (7.8%). Application at 1. The proposal would *decrease* the average residential or small commercial customer's rates by \$4.65 per month (about 8.4%). Large commercial customers' rates would *decrease* by about 7.7%. Avista's proposal would not affect Avista's earnings. *Id.* at 17. Avista asks that the Commission process the Application by Modified Procedure, and that the new rates take effect November 1, 2016. *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	\$(0.01140)	\$0.0048	\$(0.00660)	\$(0.06958)	(\$0.07618)	(7.7%)
Lg. General	111	\$(0.01140)	\$0.0048	\$(0.00660)	\$(0.06958)	(\$0.07618)	(7.7%)
Interruptible	131	\$(0.01140)	-	\$(0.01140)	\$(0.07202)	(\$0.08342)	0.0%

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) is an estimate of those costs. In this case, Avista estimates its commodity costs will *decrease* by \$0.0114 (1.14¢) per therm, from the currently approved \$0.252 (25.2¢) per therm to \$0.2406 (24.06¢) per therm. *Id.* at 4. In order to minimize exposure to potential rising gas costs, Avista diversifies how it procures natural gas. *Id.* Avista’s procurement strategy includes hedging, the use of underground storage capacity, and estimating the cost of index purchases using a 30-day historical average of forward prices for each supply basin. *Id.*

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 \$0.0048 per therm increase in the overall demand rate for customers on Schedules 101 and 111. Avista’s proposed demand rate includes the increased cost of transporting gas over TransCanada-Gas Transmission Northwest, which is to take effect on January 1, 2017. *See id.* at 3-4.

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 decrease the amortization rate for general and large general service customers by \$0.06958 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. Part of these revenues were offset

by an under collection of fixed demand costs that resulted from a warmer-than-normal winter. Avista notes that the decreased amortization rate it proposes would increase the rebate that customers currently enjoy from \$0.02886 per therm to \$0.09844 per therm. The new amortization rate will refund about \$7.5 million dollars to customers through the Schedule 155 portion of the PGA. *Id.*

YOU ARE FURTHER NOTIFIED that Avista asserts it will notify customers of its proposed tariffs by posting notice at each of its Idaho district offices, and through a press release. *Id.* at 3. Also, Avista says it will send notice to each customer in bill inserts from September 2, 2016 through October 1, 2016. *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 11, 2016**. 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 Kelly O. Norwood
Idaho Public Utilities Commission Vice President of State and Federal Regulation
PO Box 83720 Avista Utilities
Boise, ID 83720-0074 1411 E. Mission Avenue
Spokane, WA 99220-3727
Street Address for Express Mail: E-Mail: kelly.norwood@avistacorp.com

472 W. Washington Street David J. Meyer
Boise, ID 83702-5918 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 14, 2016.**

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 11, 2016. Avista may file a reply, if any, no later than October 14, 2016.

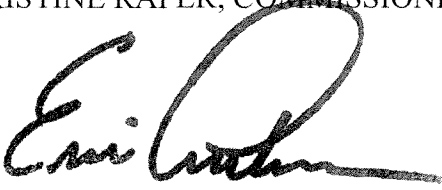
DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 9th
day of September 2016.



PAUL KJELLANDER, PRESIDENT




KRISTINE RAPER, COMMISSIONER



ERIC ANDERSON, COMMISSIONER

ATTEST:



Jean D. Jewell
Commission Secretary

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