Office of the Secretary
Service Date
October 27, 2016

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF AVISTA CORPORATION DBA AVISTA UTILITIES' APPLICATION TO CHANGE ITS NATURAL GAS RATES AND CHARGES (2016 PURCHASED GAS COST ADJUSTMENT)	**CASE NO. AVU-G-16-02** **ORDER NO. 33637**

On August 29, 2016, 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 $6.1 million (7.8%), effective November 1, 2016.

On September 9, 2016, the Commission issued a Notice of Application and Notice of Modified Procedure. Order No. 33594. The Commission set an October 11, 2016, comment deadline, and an October 14, 2016, reply comment deadline for the Company. Commission Staff filed the only comments and supported the Company's Application.

Having reviewed the record, we issue this Order approving Avista's Application and proposed tariffs as filed, effective November 1, 2016.

THE 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). This year, 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	$(0.01140)	$0.0048	$(0.0060)	$(0.06958)	($0.07618)	**(7.7%)**
Lg. General	111	$(0.01140)	$0.0048	$(0.0060)	$(0.06958)	($0.07618)	**(7.7%)**
Interruptible	131	$(0.01140)	-	$(0.01140)	$(0.07202)	($0.08342)	**0.0%**

These changes would *decrease* Avista's PGA rates by about $6.1 million (7.8%), but would not affect Avista's earnings. The average residential or small commercial customer's rate would *decrease* by about $4.65 per month.

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

B. Schedule 150

The Schedule 150 portion of the PGA has two parts: (1) the commodity costs; and (2) the demand costs. Commodity costs are the variable costs at which Avista buys natural gas. The weighted average cost of gas (WACOG) approximates those costs. In this case, Avista estimated that its commodity costs will *decrease* by $0.0114 per therm, from the currently approved $0.252 to $0.2406 per therm. In an effort to minimize the volatility, the Company has used a diversified approach to procure natural gas, including hedging, underground storage, and estimating the cost of index purchases.

Demand costs are the Company's 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. Here, Avista proposed a $0.0048 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, 2017.

C. Schedule 155

Avista explained that tariff Schedule 155 reflects the amortization of Avista's deferral account. Avista proposed 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 to $0.02886 per therm. Avista explained 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 noted, 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

Staff's comments support Avista's Application. Staff noted that it 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 confirmed that the proposed changes to Schedules 150 and 155 accurately capture Avista's fixed (demand) and variable (commodity) costs given the coming year's forecasted gas purchases and properly amortize the deferral balance from the prior year. Further, Staff verified that Avista's filing will not change Avista's earnings.

Staff ultimately recommended that the Commission approve Avista's PGA Application and proposed tariffs as filed. Specifically, Staff recommended that the Commission approve, with an effective date of November 1, 2016, Avista's proposed: (1) Tariff Schedule 150, including the proposed weighted average cost of gas (WACOG) of $0.2406 per therm;[1] and (2) Tariff Schedule 155, including the proposed amortization rate of $0.09844 per therm credit to refund approximately $7.4 million to customers. 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 reasonable to approve Avista's proposed Schedule 150, including the proposed WACOG of $0.2406 per therm, and proposed Schedule 155 with an amortization rate of $0.09844 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 $0.2406 per therm, and a Schedule 155 amortization rate of $0.09844 per

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[1] 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.

therm. Avista's proposed tariffs are approved as filed for service rendered on and after November 1, 2016.

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 27th day of October 2016.

Paul Kjellander

PAUL KJELLANDER, PRESIDENT

Kristine Raper

KRISTINE RAPER, COMMISSIONER

Eric Anderson

ERIC ANDERSON, COMMISSIONER

ATTEST:

Jean D. Jewell

Jean D. Jewell
Commission Secretary

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