

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

**IN THE MATTER OF THE APPLICATION ) CASE NO. AVU-G-17-04**  
**OF AVISTA CORPORATION DBA AVISTA )**  
**UTILITIES FOR AN ORDER APPROVING A ) NOTICE OF APPLICATION**  
**CHANGE IN NATURAL GAS RATES AND )**  
**CHARGES ) NOTICE OF**  
**) MODIFIED PROCEDURE**  
**)**  
**) ORDER NO. 33886**

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On August 31, 2017, Avista Corporation dba Avista Utilities applied to the Commission for an Order authorizing Avista to decrease its Purchased Gas Cost Adjustment (PGA) rates by about \$1.7 million. The PGA is a Commission-approved mechanism that adjusts rates up or down each year 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.

If approved, Avista’s Application would *decrease* the average residential or small commercial customer’s rates by \$1.23 per month (about 2.4%). Application at 4. The proposed decrease would not affect Avista’s earnings. *See* Transmittal Letter accompanying Application (August 31, 2017). Avista asks that the Commission process the Application by Modified Procedure, and that the new rates take effect November 1, 2017. Application at 5.

The Commission now issues this Notice of Application and Notice of Modified Procedure setting deadlines for interested persons to file written comments on Avista’s Application.

**NOTICE OF APPLICATION**

YOU ARE HEREBY NOTIFIED that Avista is a public utility that distributes natural gas in northern Idaho, eastern and central Washington, and southwestern and northeastern Oregon. Application at 2. Avista buys natural gas and then transports it through pipelines for delivery to customers.

YOU ARE FURTHER NOTIFIED that Avista’s rates for natural gas service in Idaho include a base rate component and a gas-related cost component.

YOU ARE FURTHER NOTIFIED that the base rate component is intended to cover Avista’s fixed costs to serve its Idaho customers – for example, the Company’s costs for equipment and facilities to provide service. The current base rates were approved in Order No. 33437, Case No. AVU-G-15-01. Separately from this Application, the Company has applied to this Commission for an Order allowing Avista to increase its base rates for natural gas service. *See* Case No. AVU-G-17-01.

YOU ARE FURTHER NOTIFIED that the gas-related cost component of Avista’s rates is at issue here. 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 (through Tariff Schedule 150); and (2) revise the amortization rates to refund or collect the balance of deferred gas costs (through Tariff Schedule 155). Application at 2-3. The Company summarizes the effect of the revised rates (that is, the change from current rates) as follows:

Service	Schedule No.	Commodity Change per therm	Demand Change per therm	Total Schedule 150 Change	Amortization Change per therm	Total Rate Change per therm	<b>Overall Percent Change</b>
General	101	\$(0.02167)	\$(0.00831)	\$(0.02998)	\$0.00982	\$(0.02016)	<b>-2.5%</b>
Lg. General	111	\$(0.02167)	\$(0.00831)	\$(0.02998)	\$0.00982	\$(0.02016)	<b>-3.8%</b>

*Id.* at 3.

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. Here, Avista estimates its commodity costs will *decrease* by \$0.022 per therm, from the currently approved \$0.241 per therm to \$0.219 per therm. *Id.* Avista states that the overall reduction is generally the result of continued high natural gas production levels and an abundance of natural gas in storage. *Id.* Avista estimates the cost of index purchases using a 30-day historical average of forward prices for each supply basin and has a diversified natural gas procurement strategy that includes hedging. *Id.*

YOU ARE FURTHER NOTIFIED that Avista’s demand costs reflect the cost of pipeline transportation to the Company’s system and fixed costs associated with natural gas

storage. *Id.* at 4. In this Application, Avista proposes a \$0.00831 per therm decrease in the overall demand rate. *Id.* The proposed decrease is primarily due to new transportation rates for Williams Northwest Pipeline effective on January 1, 2018 and October 1, 2018. *Id.*

YOU ARE FURTHER NOTIFIED that Tariff Schedule 155 reflects the amortization of Avista’s deferral account. This schedule applies to general and large general service customers (residential and certain commercial customers). *Id.* at 3-4. Other commercial customers (those taking service under Tariff Schedule 112), and High Annual Load Factor Large – Interruptible Service customers under Tariff Schedule 132 do not participate in the amortization, but receive a one-time rebate or surcharge. *Id.* at 4 and n.1. With this Application, Avista proposes to decrease the amortization rate in Tariff Schedule 155 by \$0.00982 per therm. *Id.* at 4. The existing rate is \$0.09844 per therm in the rebate direction; the proposed rate is \$0.08862 in the rebate direction. *Id.* Avista explains that it replaced most of the present rebate “due, in part, to a combination of lower actual natural gas prices versus the embedded WACOG, as well as through optimization efforts (both storage as well as fixed transportation contract)[.]” *Id.*

YOU ARE FURTHER NOTIFIED that Avista will notify 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 states it will send notice to each customer in bill inserts in the September-October timeframe. *Id.*

YOU ARE FURTHER NOTIFIED that, as part of its Application, the Company has filed its proposed rate schedules and tariff sheets, and its workpapers, pipeline tariffs, customer notice, press release, and bill inserts. *See* Exhibits A-E to the Application.

YOU ARE FURTHER NOTIFIED that the Application and supporting documentation 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](http://www.puc.idaho.gov). Click on the “File Room” tab at the top of the page, then select “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* §§ 61-502 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.*

**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 that it will proceed under Modified Procedure pursuant to Rules 201 through 204 of the 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 20, 2017**. 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 the Company at the addresses reflected below:

Commission Secretary	Patrick D. Ehrbar
Idaho Public Utilities Commission	Senior Manager, Rates and Tariffs
PO Box 83720	Avista Utilities
Boise, ID 83720-0074	1411 E. Mission Avenue
	Spokane, WA 99220-3727
Street Address for Express Mail:	E-Mail: <a href="mailto:pat.ehrbar@avistacorp.com">pat.ehrbar@avistacorp.com</a>
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: <a href="mailto:david.meyer@avistacorp.com">david.meyer@avistacorp.com</a>

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](http://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.

YOU ARE FURTHER NOTIFIED that the Company shall file reply comments, if necessary, **no later than October 25, 2017.**

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 the Application of Avista Utilities be processed by Modified Procedure, Rule 201-204 (IDAPA 31.01.01.201-.204). Persons interested in submitting written comments must do so no later October 20, 2017. The Company may file a reply no later than October 25, 2017.

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 21<sup>st</sup> day of September 2017.

  
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PAUL KJELLANDER, PRESIDENT

  
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KRISTINE RAPER, COMMISSIONER

  
\_\_\_\_\_  
ERIC ANDERSON, COMMISSIONER

ATTEST:

  
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Diane M. Hanian  
Commission Secretary

O:AVU-G-17-04\_cc