

Avista Corp.  
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IDAHO PUBLIC  
UTILITIES COMMISSION



September 14, 2010

State of Idaho  
Idaho Public Utilities Commission  
Statehouse  
Boise, Idaho 83720

Case No. AVU-G-10-03

Attention: Ms. Jean D. Jewell

**I.P.U.C. No. 27 – Natural Gas Service**

Enclosed for filing with the Commission are the following revised tariff sheets:

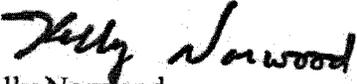
**Twelfth Revision Sheet 155 canceling Eleventh Revision Sheet 155  
Original Sheet 156**

The Company requests that the proposed tariff sheets be made effective November 1, 2010. These tariff sheets reflect the Company's annual Purchased Gas Adjustment (PGA). If these tariff sheets are approved as filed, the Company's annual revenue will *increase* by approximately \$3.1 million or about 4.3%. The proposed changes have no effect on the Company's net income.

The proposed increase results is caused by the elimination of a present refund to pass thorough gas cost savings from prior years. Further information is included in the attached Application and supporting workpapers. If approved, the average residential or small commercial customer using 63 therms per month will see an increase of \$2.75 per month, or approximately 4.9%. The present bill for 63 therms is \$56.03 while the proposed bill is \$58.78.

If you have any questions regarding this filing, please contact Patrick Ehrbar at (509) 495-8620 or Craig Bertholf at (509) 495-4124.

Sincerely,

  
Kelly Norwood  
Vice President, State and Federal Regulation

Enclosures

**CERTIFICATE OF SERVICE**

I HEREBY CERTIFY that I have served Avista Corporation dba Avista Utilities' filing with Tariff IPUC No. 27 Natural Gas Service by mailing a copy thereof, postage prepaid to the following:

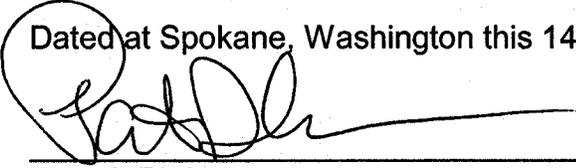
Jean D Jewell, Secretary  
Idaho Public Utilities Commission  
472 W. Washington Street  
Boise, ID 83720-5983

Paula Pyron  
Northwest Industrial Gas Users  
4113 Wolfberry Court  
Lake Oswego, OR 97035-1827

Chad Stokes  
Cable Huston Benedict Haagensen &  
Lloyd, LLP  
1001 SW 5th, Suite 2000  
Portland, OR 97204-1136

Curt Hibbard  
St. Joseph Regional Medical Center  
PO Box 816  
Lewiston, ID 83501

Dated at Spokane, Washington this 14th day of September 2010.



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Patrick Ehrbar  
State & Federal Regulation

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UTILITIES COMMISSION

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF )  
AVISTA UTILITIES FOR AN ORDER APPROVING ) CASE: AVU-G-10-03  
A CHANGE IN NATURAL GAS RATES AND CHARGES )

Application is hereby made to the Idaho Public Utilities Commission for an Order approving a revised schedule of rates and charges for natural gas service in the state of Idaho. The Applicant requests that the proposed rates included in this Purchased Gas Adjustment (PGA) filing be made effective on November 1, 2010. If approved as filed, the Company's annual revenue will *increase* by approximately \$3.1 million or about 4.3%. In support of this Application, Applicant states as follows:

I.

The name of the Applicant is AVISTA UTILITIES, a unit of AVISTA CORPORATION, a Washington corporation, whose principal business office is 1411 East Mission Avenue, Spokane, Washington, and is qualified to do business in the state of Idaho. Applicant maintains district offices in Moscow, Lewiston, Coeur d'Alene, and Kellogg, Idaho. Communications in reference to this Application should be addressed to:

Kelly O. Norwood  
Vice President – State & Federal Regulation  
Avista Utilities  
P.O. Box 3727  
Spokane, WA 99220-3727

II.

Attorney for the Applicant and his address is as follows:

David J. Meyer  
Vice President and Chief Counsel for Regulatory &  
Governmental Affairs  
Avista Utilities  
P.O. Box 3727  
Spokane, WA 99220-3727

III.

The Applicant is a public utility engaged in the distribution of natural gas in certain portions of Eastern and Central Washington, Northern Idaho and Southwestern and Northeastern Oregon, and further engaged in the generation, transmission, and distribution of electricity in Eastern Washington and Northern Idaho.

IV.

Original Sheet 156, which Applicant requests the Commission approve, is filed herewith as Exhibit "A". Additionally, Twelfth Revision Sheet 155, which Applicant requests the Commission approve, is also filed herewith as Exhibit "A". Also included in Exhibit "A" is a copy of Twelfth Revision Tariff Sheet 155 with the changes underlined and a copy of Eleventh Revision Tariff Sheet 155 with the proposed changes shown by lining over the current language or amounts.

V.

The existing rates and charges for natural gas service on file with the Commission and designated as Applicant's Tariff IPUC No. 27, which will be superseded by the rates and charges filed herewith, are incorporated herein as though fully attached hereto.

VI.

Notice to the Public of Applicant's proposed tariffs is to be given simultaneously with the filing of this Application by posting, at each of the Company's district offices in Idaho, a Notice in the form attached hereto as Exhibit "B" and by means of a press release distributed to various informational agencies, a copy attached hereto as Exhibit "E". In addition, a notice will be sent to customers as a bill insert prior to November 1, 2010.

VIII.

The circumstances and conditions relied on for approval of Applicant's revised rates are as follows: Applicant purchases natural gas for customer usage and transports it over Williams Pipeline West (d.b.a. Northwest Pipeline Corporation), Gas Transmission Northwest (GTN), TransCanada (Alberta), TransCanada (BC) and Westcoast Pipeline systems and defers the effect of timing differences due to implementation of rate changes and differences between Applicant's actual weighted average cost of gas (WACOG) purchased and the WACOG embedded in rates. Applicant also defers various pipeline refunds or charges and miscellaneous revenue received from gas related transactions including pipeline capacity releases.

IX.

This filing reflects the Company's proposed annual Purchased Gas Cost Adjustment (PGA) to: 1) pass through changes in the estimated cost of natural gas for the forthcoming year (Schedule 156), and 2) revise the amortization rate(s) to refund or collect the balance of deferred gas costs (Schedule 155). Below is a table summarizing the proposed changes reflected in this filing.

	Sch.	Commodity Change	Demand Change	Total Sch. 156 Change	Sch. 155 Amort. per therm	Total Rate Change per therm	Overall Percent Change
<u>Service</u>	<u>No.</u>	<u>per therm</u>	<u>per thm</u>	<u>Change</u>			
General	101	(\$0.02992)	\$0.01150	(\$0.01842)	\$0.06215	\$0.04373	4.9%
Lg. General	111	(\$0.02992)	\$0.01150	(\$0.01842)	\$0.06215	\$0.04373	6.1%
Interruptible	131	(\$0.02992)	\$0.00000	(\$0.02992)	\$0.03509	\$0.00517	0.9%

## X.

### **Commodity Costs**

As shown in the table above, the estimated commodity cost (WACOG) change is a *decrease* of 2.992 cents per therm. The proposed WACOG is 46.1 cents per therm compared to the present WACOG of 49.1 cents per therm included in rates. Daily wholesale natural gas prices have been higher this year than last year. For example, in 2009, daily cash prices at AECO averaged \$2.82 per dekatherm. In 2010 thus far, the average price increased to \$3.74 per dekatherm, approximately a 33 percent increase. This impacted the cost of purchased natural gas for storage pricing. However, prices in the forward markets have been lower this year than what is currently embedded in rates. This decrease more than offset the increase in storage prices, leading to the drop in the proposed WACOG.

Avista has been hedging gas on both a periodic and discretionary basis throughout 2010 for the forthcoming PGA year. Approximately 70% of estimated annual load requirements for the PGA year (November 2010 through October 2011) will be hedged at a fixed price, comprised of: 1) 41% of volumes hedged for a term of one year or less, 2) 19% of volumes from prior multi-year hedges, and 3) 10% of volumes from underground storage. Through August, the planned hedge volumes for the PGA year have been executed at a weighted average price of \$5.42 per dekatherm (\$0.542 per therm).

The Company used a 30-day historical average of forward prices (ending September 8) by supply basin to develop an estimated cost associated with index/spot purchases. The estimated monthly volumes to be purchased by basin are multiplied by the (30-day) average price for the corresponding month and basin. These index/spot volumes represent approximately 30% of estimated annual load requirements for the coming year and the annual weighted average price for these volumes is \$3.99 per dekatherm.

Available underground storage capacity at Jackson Prairie represents approximately 10% of annual load requirements (20% of load requirements during the December to March withdrawal period). The estimated weighted average cost for all storage volumes is \$3.63 per dekatherm. The Company also utilizes (optimizes) its underground storage capacity to provide additional benefits to customers beyond the winter/summer price differential and supply reliability.

The Company's natural gas procurement plan uses a diversified approach to procure gas for the coming year. While the plan generally incorporates a structured approach for the hedging portion of the portfolio, the Company exercises flexibility and discretion in all areas of the plan based on changes in the wholesale market. The Company typically meets with the Commission Staff quarterly to discuss the state of the wholesale market and the status of the Company's procurement plan. In addition, the Company communicates with Staff when it believes it makes sense to deviate from its procurement plan and/or opportunities arise in the market.

## XI.

### **Demand Costs**

The Demand Costs shown in the table above primarily represents the cost of pipeline transportation to the Company's system. As shown in the table above, there is a slight increase which is due to a change in tariffs on the TransCanada (Alberta) and TransCanada (BC) pipelines.

XII.

**Schedule 155 / Amortization Rate Change**

As shown in the table above, the proposed change in the amortization rates are an increase between 3.5 and 6.2 cents per therm. This increase is a result of the large one-year refund amortization rate from the 2009 PGA being replaced by a smaller one-year amortization rate. Included in the proposed refund rate is a substantial deferral balance that the Company was recovering over the past year through Schedule 155 that was not fully refunded to customers as natural gas loads for the winter 2009/2010 were softer than projected. As such, the proposed amortization rate still has some level of previous deferrals, with the indirect benefit of keeping the proposed rate change lower for customers.

XIII.

The average residential or small commercial customer using 63 therms per month will see an *increase* of \$2.75 per month, or approximately 4.9%. The present bill for 63 therms is \$56.03 while the proposed bill is \$58.78.

XIV.

Exhibit "C" attached hereto contains support for the rates proposed by Applicant contained in Exhibit "A".

XV.

Applicant is requesting that Applicant's rates be approved to become effective on November 1, 2010. Applicant requests that, if appropriate, the Commission adopt the procedures prescribed by Rule 201-210, Modified Procedure. Applicant stands ready for immediate consideration on its Application.

XVI.

WHEREFORE, Applicant requests the Commission issue its Order finding Applicant's proposed rates to be just, reasonable, and nondiscriminatory and to become effective for all natural gas service on and after November 1, 2010.

Dated at Spokane, Washington, this 14<sup>th</sup> day of September 2010.

AVISTA UTILITIES

BY



Kelly O. Norwood  
Vice President, State and Federal Regulation

STATE OF WASHINGTON    )  
  ) ss.  
County of Spokane        )

Patrick Ehrbar, being first duly sworn, on oath deposes and says: that he is the Manager of Rates and Tariffs for Avista Utilities; that he has read the above and foregoing Application, knows the contents thereof, and believes the same to be true.



Patrick D. Ehrbar  
Manager, Rates & Tariffs

SUBSCRIBED and sworn to before me this 14<sup>th</sup> day of September 2010.



Notary Public in and for the  
State of Washington, residing in  
Spokane.



**AVISTA UTILITIES**

**Case No. AVU-G-10-03**

**EXHIBIT "A"**

**Proposed Tariff Sheets**

**September 14, 2010**

AVISTA CORPORATION  
d/b/a Avista Utilities

SCHEDULE 155  
GAS RATE ADJUSTMENT - IDAHO

**AVAILABLE:**

To Customers in the State of Idaho where Company has natural gas service available.

**PURPOSE:**

To adjust gas rates for amounts generated by the sources listed below.

**MONTHLY RATE:**

- (a) The rates of firm gas Schedules 101 and 111 are to be decreased by 7.582¢ per therm in all blocks of these rate schedules.
- (b) The rate of interruptible gas Schedule 131 is to be decreased by 8.091¢ per therm.

**SOURCES OF MONTHLY RATE:**

Changes in the monthly rates above result from amounts which have been accumulated in the Purchase Gas Adjustment (PGA) Balancing Account as described in Schedule 150 – Purchase Gas Cost Adjustment and Schedule 156 – Purchase Gas Cost Adjustment.

**SPECIAL TERMS AND CONDITIONS:**

The above Monthly Rate is subject to the provisions of Tax Adjustment Schedule 158.

Issued September 14, 2010

Effective November 1, 2010

Issued by Avista Utilities

By

Kelly Norwood, Vice President, State & Federal Regulation



AVISTA CORPORATION  
d/b/a Avista Utilities

SCHEDULE 155  
GAS RATE ADJUSTMENT - IDAHO

AVAILABLE:

To Customers in the State of Idaho where Company has natural gas service available.

PURPOSE:

To adjust gas rates for amounts generated by the sources listed below.

MONTHLY RATE:

- (a) The rates of firm gas Schedules 101 and 111 are to be decreased by 7.582¢ per therm in all blocks of these rate schedules.
- (b) The rate of interruptible gas Schedule 131 is to be decreased by 8.091¢ per therm.

SOURCES OF MONTHLY RATE:

Changes in the monthly rates above result from amounts which have been accumulated in the Purchase Gas Adjustment (PGA) Balancing Account as described in Schedule 150 – Purchase Gas Cost Adjustment and Schedule 156 – Purchase Gas Cost Adjustment.

SPECIAL TERMS AND CONDITIONS:

The above Monthly Rate is subject to the provisions of Tax Adjustment Schedule 158.

Issued September 14, 2010

Effective November 1, 2010

Issued by Avista Utilities  
By

Kelly Norwood, Vice President, State & Federal Regulation

AVISTA CORPORATION  
d/b/a Avista Utilities

SCHEDULE 155  
GAS RATE ADJUSTMENT - IDAHO

AVAILABLE:

To Customers in the State of Idaho where Company has natural gas service available.

PURPOSE:

To adjust gas rates for amounts generated by the sources listed below.

MONTHLY RATE:

- (a) The rates of firm gas Schedules 101 and 111 are to be decreased by ~~43.797¢~~ per therm in all blocks of these rate schedules.
- (b) The rate of interruptible gas Schedule 131 is to be decreased by ~~41.600¢~~ per therm.

SOURCES OF MONTHLY RATE:

Changes in the monthly rates above result from amounts which have been accumulated in the Purchase Gas Adjustment (PGA) Balancing Account as described in Schedule 150 – Purchase Gas Cost Adjustment.

SPECIAL TERMS AND CONDITIONS:

The above Monthly Rate is subject to the provisions of Tax Adjustment Schedule 158.

Issued October 29, 2009

Effective November 1, 2009

Issued by Avista Utilities  
By

Kelly Norwood, Vice President, State & Federal Regulation

AVISTA CORPORATION  
d/b/a Avista Utilities

**SCHEDULE 156  
PURCHASE GAS COST ADJUSTMENT - IDAHO**

**APPLICABLE:**

To Customers in the State of Idaho where Company has natural gas service available.

**PURPOSE:**

To pass through changes in costs resulting from rate adjustments imposed by the Company's suppliers, to become effective as noted below.

**RATE:**

- (a) The rates of firm gas Schedules 101, 111 and 112 are to be decreased by 1.556¢ per therm in all blocks of these rate schedules.
- (b) The rates of interruptible Schedules 131 and 132 are to be decreased by 2.706¢ per therm.
- (c) The rate for transportation under Schedule 146 is to be decreased by 00.000¢ per therm.

**WEIGHTED AVERAGE GAS COST:**

The above rate changes are based on the following weighted average cost of gas per therm as of the effective date shown below and supercede the rates shown on Schedule 150:

	Demand	Commodity	Total
Schedules 101	10.421¢	45.817¢	56.238¢
Schedules 111 and 112	10.421¢	45.817¢	56.238¢
Schedules 131 and 132	0.000¢	45.817¢	45.817¢

The above amounts do not include revenue sensitive items.

**BALANCING ACCOUNT:**

The Company will maintain a Purchase Gas Adjustment (PGA) Balancing Account whereby monthly entries into this Balancing Account will be made to reflect differences between the actual purchased gas costs collected from customers and the actual purchased gas costs incurred by the Company. Those differences are then collected from or refunded to customers under Schedule 155 – Gas Rate Adjustment.

Additional debits or credits for Pipeline refunds or charges, Pipeline capacity release revenues and miscellaneous revenues or expenses directly related to the Company's cost of purchasing gas to meet customer requirements will be recorded in the Balancing Account.

Issued September 14, 2010

Effective November 1, 2010

Issued by Avista Utilities  
By

Kelly O. Norwood - Vice-President, State & Federal Regulation

*Kelly Norwood*

AVISTA CORPORATION  
d/b/a Avista Utilities

SCHEDULE 156 - Continued

Deferred gas costs will be determined for individual customers served under Schedules 112, 132 and 146, as well as for customers that switch to or from any of these service schedules to another schedule. The deferred gas cost balance for these customers will be based on monthly entries in the Balancing Account as described above. The deferred gas cost balance for each customer will be eliminated by either, 1) a lump-sum refund or surcharge, as applicable, or 2) an amortization rate per therm to reduce the balance prospectively.

SPECIAL TERMS AND CONDITIONS:

The rates named herein are subject to increases as set forth in Schedule 158.

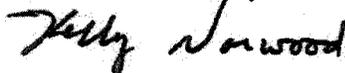
Issued September 14, 2010

Effective November 1, 2010

Issued by Avista Utilities

By

Kelly O. Norwood - Vice-President, State & Federal Regulation



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IDAHO PUBLIC  
UTILITIES COMMISSION

# **AVISTA UTILITIES**

**Case No. AVU-G-10-03**

## **EXHIBIT "B"**

**Notice of Public Applicant's Proposed Tariffs**

**September 14, 2010**

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IDAHO PUBLIC  
UTILITIES COMMISSION

AVISTA UTILITIES  
NOTICE OF IDAHO TARIFF CHANGE  
(Natural Gas Service Only)

Notice is hereby given that the "Sheets" listed below of Tariff IPUC No. 27, covering natural gas service applicable to Idaho customers of Avista Utilities have been filed with the Idaho Public Utilities Commission (IPUC) in Boise, Idaho.

Twelfth Revision Sheet 155 canceling Eleventh Revision Sheet 155 and,  
Original Sheet 156

Twelfth Revision Sheet 155 updates the amortization rate used to refund or recover previous gas cost differences and Original Sheet 156 updates the forward-looking cost of natural gas purchased for customer usage.

These tariffs request an annual revenue *increase* of approximately \$3.1 million, or about 4.3%.

This request is a Purchased Gas Cost Adjustment (PGA) that is filed annually to reflect changes in the cost of gas purchased to serve customers. Any increases or decreases resulting from these PGA filings directly result from the cost of gas purchased in the marketplace; Avista makes no additional profits from these rate changes.

If approved as filed a residential or small business customer served under Schedule 101 using an average of 63 therms per month can expect to see an average *increase* of approximately \$2.75 per month, or about 4.9%. Larger commercial customers served under Schedules 111 can expect to see an average *increase* of about 6.1%, with the higher percentages due to lower base rates. However, actual customer increases will vary based on therms consumed.

This filing requests an effective date of November 1, 2010.

Copies of the proposed tariff changes are available for inspection in the Company's offices or can be obtained by calling (509) 495-4067 or writing:

Avista Utilities  
Attention: Ms. Patty Olsness  
P.O. Box 3727  
Spokane, WA. 99220-3727

September 14, 2010