Avista Corp.
1411 East Mission P.O. Box 3727
Spokane. Washington 99220-0500
Telephone 509-489-0500
Toll Free 800-727-9170

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IDAHO PUBLIC
UTILITIES COMMISSION

July 30, 2013

State of Idaho
Idaho Public Utilities Commission
472 W. Washington Street
Boise, Idaho 83702-5983

Case No. AVU-G-13-01/Advice No. 13-01-G

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:

Nineteenth Revision Sheet 150	canceling	**Eighteenth Revision Sheet 150**
Fifteenth Revision Sheet 155	canceling	**Substitute Fourteenth Revision Sheet 155**

The Company requests that the proposed tariff sheets be made effective October 1, 2013. 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 $4.9 million or approximately 7.5%. The proposed changes have no effect on the Company's earnings. Detailed information related to the Company's request is included in the attached Application and supporting workpapers.

If the Company's request is approved, a residential or small commercial customer using an average of 60 therms per month will see an increase of $3.80 per month, or approximately 6.8%. The present bill for 60 therms is $55.37 while the proposed bill is $59.17.

If you have any questions regarding this filing, please contact Patrick Ehrbar at (509) 495-8620 or Annette Brandon at (509) 495-4324.

Sincerely,

Kelly Norwood

Kelly Norwood
Vice President, State and Federal Regulation

Enclosures

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that I have served Avista Corporation dba Avista Utilities' Advice filing ADV 13-01-G (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

Edward A. Finklea
Northwest Industrial Gas Users
326 Fifth Street
Lake Oswego, OR 97034

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 30th day of July 2013.

Patrick Ehrbar
Manager, State & Federal Regulation

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IDAHO PUBLIC
UTILITIES COMMISSION

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF AVISTA UTILITIES FOR AN ORDER APPROVING A CHANGE IN NATURAL GAS RATES AND CHARGES	)))	CASE: AVU-G-13-01

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 October 1, 2013. If approved as filed, the Company's annual revenue will increase by approximately $4.9 million or about 7.5%. In support of this Application, Applicant states as follows:

I.

The name of the Applicant is AVISTA CORPORATION, doing business as AVISTA UTILITIES (hereinafter Avista, Applicant or Company), 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 of State & Federal Regulation
Avista Utilities
1411 E. Mission Avenue
Spokane, WA 99220-3727
Phone: (509) 495-4267
Fax: (509) 495-8851

II.

Attorney for the Applicant and his address is as follows:

David J. Meyer
Vice President and Chief Counsel for Regulatory
And Governmental Affairs
Avista Utilities
1411 E. Mission Avenue
Spokane, WA 99220-3727
Phone: (509) 495-4316
Fax: (509) 495-8851

III.

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

IV.

Nineteenth Revision Sheet 150, which Applicant requests the Commission approve, is filed herewith as Exhibit "A". Additionally, Fifteenth 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 Nineteenth Revision Sheet 150 and Fifteenth Revision Tariff Sheet 155 with the changes underlined and a copy of Eighteenth Revision Sheet 150 and Substitute Fourteenth Revision Tariff Sheet 155 with the proposed changes shown by lining over the current language or rates.

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 draft copy attached hereto as Exhibit “E”. In addition, a notice will be sent to customers as a bill insert prior to October 1, 2013, a copy of which is also included in Exhibit “E”.

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 Northwest Pipeline, Gas Transmission Northwest (GTN), TransCanada (Alberta), TransCanada (BC) and Spectra Energy 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 natural gas related transactions including pipeline capacity releases.

IX.

This filing reflects the Company’s proposed annual PGA to: 1) pass through changes in the estimated cost of natural gas for the forthcoming thirteen months (Schedule 150), 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.

Service	Sch. No.	Commodity Change per therm	Demand Change per thm	Total Sch. 150 Change	Amortization Change per therm	Total Rate Change per therm	**Overall Percent Change**
General	101	$0.04066	$0.00471	$0.04537	$0.01800	$0.06337	**6.8%**
Lg. General	111	$0.04066	$0.00471	$0.04537	$0.01800	$0.06337	**9.7%**
Interruptible	131	$0.04066	$0.00000	$0.04066	$0.00621	$0.04687	**8.3%**

X.

Commodity Costs

As shown in the table above, the estimated commodity cost (WACOG) change is an *increase* of 4.1 cents per therm. The proposed WACOG, including the revenue conversion factor, is 37.4 cents per therm compared to the present WACOG of 33.3 cents per therm included in rates.

The Company's natural gas Procurement Plan ("Plan") uses a diversified approach to procure natural gas for the coming PGA year. While the Plan generally incorporates a more 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 Commission Staff semi-annually to discuss the state of the wholesale market and the status of the Company's Plan. In addition, the Company communicates with Staff when it believes it makes sense to deviate from its Plan and/or opportunities arise in the market.

Avista has been hedging natural gas on both a periodic and discretionary basis throughout 2013 for the forthcoming PGA year (thirteen months). Approximately 38% of estimated annual load requirements for the PGA year (October 2013 through October 2014) will be hedged at a fixed-price derived from the Company's Plan. These volumes are comprised of: 1) 12% of volumes hedged for a term of one year or less, 2) 26% of volumes from prior multi-year hedges. Through June, the planned hedge volumes for the PGA year have been executed at a weighted average price of $4.52 per dekatherm ($0.452 per therm).

Available underground storage capacity at Jackson Prairie represents approximately 19% of annual load requirements (37% of load requirements during the December to March withdrawal period). The estimated weighted average cost for all storage volumes is $3.25 per dekatherm. The Company utilizes its underground storage to capture seasonal price spreads (differentials), improve the reliability of supply, increase operational flexibility, mitigate peak demand price spikes and capture other economic benefits for customers through asset optimization.

The Company used a 30-day historical average of forward prices and supply basins (ending July 15, 2013) to develop an estimated cost associated with index purchases. The estimated monthly volumes to be purchased by basin are multiplied by the 30-day average forward price for the corresponding month and basin. These index purchases represent approximately 43% of estimated annual load requirements for the coming year. The annual weighted average price for these volumes is $3.44 per dekatherm.

For 2012, the natural gas market was impacted by lower overall demand, increased production, and record high storage levels. This drove natural gas prices to lows not seen in the last decade. However, for most of 2013 prices have moved on an upward trend from these lows. Nationally, the late, colder than normal winter increased demand. This increased demand reduced excess supply and decreased storage balances to levels below the five-year average. This return to a more balanced market added to the uplift on natural gas prices. As a result, all components (hedges, index, and storage) of the commodity WACOG for the upcoming PGA year are higher than the previous year and what is currently included in customer's rates.

XI.

Demand Costs

Demand costs primarily represent the cost of transporting natural gas on interstate pipelines to the Company's local distribution system. As shown in the table above, there is a slight increase in the overall demand rate. One of the reasons for the increase in demand costs is the inclusion of the new Northwest Pipeline transportation rates. As these rates were approved by FERC effective January 1, 2013, the Company only included 10-months of the increased rates in its 2012 PGA filing. The new rates have been included for the full term in this filing. Further, several Canadian pipelines had rate cases resulting in net higher overall rates as well.

XII.

Schedule 155 / Amortization Rate Change

As shown in the table above, the proposed change in the amortization rate is an increase of $0.01800 per therm. The current rate for Schedule 155 is $0.01785 per therm in the rebate direction; the proposed rate is $0.00015 per therm in the surcharge direction. The primary reason for the increase in the Schedule 155 amortization rate is the result of fully amortizing $1.6 million rebate deferral balance approved in the 2012 PGA. In fact the amortization balance was over-amortized by approximately $0.1 million. This surcharge balance was mostly offset by current 2012-2013 deferrals. The result is a deferral balance, in the surcharge direction, of approximately $12,000.

XIII.

Assuming the Company's applications are approved effective October 1, 2013, residential or small commercial customers using an average of 60 therms per month would see an *increase* of $3.80 per month, or approximately 6.8%. The present bill for 60 therms is $55.37 while the proposed bill is $59.17.

XIV.

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

XV.

Avista requests that the rates proposed in this filing be approved to become effective on October 1, 2013, and requests that the matter be processed under the Commission's Modified Procedure rules through the use of written comments. Avista stands ready for immediate consideration on its Application.

XVI.

WHEREFORE, Avista requests the Commission issue its Order finding its proposed rates to be just, reasonable, and nondiscriminatory and to become effective for all natural gas service on and after October 1, 2013.

Dated at Spokane, Washington, this 30th day of July 2013.

AVISTA UTILITIES
BY

Kelly Norwood

Kelly Norwood
Vice President, State and Federal Regulation

<u>VERIFICATION</u>

STATE OF WASHINGTON)
)
County of Spokane)

Kelly Norwood, being first duly sworn on oath, deposes and says: That he is the Vice President of State and Federal Regulation of Avista Utilities and makes this verification for and on behalf of Avista Corporation, being thereto duly authorized;

That he has read the foregoing filing, knows the contents thereof, and believes the same to be true.

SIGNED AND SWORN to before me this 30th day of July 2013, by Kelly Norwood.

NOTARY PUBLIC in and for the State of Washington, residing at Spokane.

Commission Expires: 10·09·14

WENDY D MANSKEY
COMMISSION EXPIRES
NOTARY PUBLIC
10/09/2014
STATE OF WASHINGTON