

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF )  
AVISTA UTILITIES FOR AN ORDER APPROVING ) CASE: AVU-G-18-0\_  
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 Cost Adjustment ("PGA") filing be made effective on November 1, 2018. If approved as filed, the Company's annual revenue will decrease by approximately \$0.6 million or about 1.0%. 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:

Patrick D. Ehrbar  
Director of Regulatory Affairs  
Avista Utilities  
1411 E. Mission Avenue  
Spokane, WA 99220-3727  
Phone: (509) 495-8620  
Fax: (509) 495-8851  
Pat.ehrbar@avistacorp.com

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  
David.meyer@avistacorp.com

### 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.

Twenty-Sixth Revision Sheet 150, which Applicant requests the Commission approve, is filed herewith as Exhibit "A". Additionally, Twentieth 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 Twenty-Fifth Revision Sheet 150 and Nineteenth Revision Tariff Sheet 155 with the changes underlined and a copy of Twenty-Fifth Revision Sheet 150 and Nineteenth 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 in Exhibit "E". In addition, Exhibit "E" to this Application also contains the form of customer notice that the Company will send to its customers in its monthly bills in the September – October timeframe.

### VII.

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.

### VIII.

This filing reflects the Company's proposed annual PGA to: 1) pass through changes in the estimated cost of natural gas for the November 2018 through October 2019 twelve-month period (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.

		Commodity	Demand	Total	Amortization	Total Rate	Overall
	Sch.	Change	Change	Sch. 150	Change	Change	Percent
<u>Service</u>	<u>No.</u>	<u>per therm</u>	<u>per therm</u>	<u>Change</u>	<u>per therm</u>	<u>per therm</u>	<u>Change</u>
General	101	\$ 0.00654	\$ (0.00918)	\$ (0.00264)	\$ (0.00283)	\$ (0.00547)	-0.8%
Lg. General	111	\$ 0.00654	\$ (0.00918)	\$ (0.00264)	\$ (0.00283)	\$ (0.00547)	-0.8%
Lg General	112	\$ 0.00654	\$ (0.00918)	\$ (0.00264)	\$ -	\$ (0.00264)	-0.3%
Interruptible	131	\$ 0.00654	\$ -	\$ 0.00654	\$ -	\$ 0.00654	1.7%
Transportation	146	\$ -	\$ -	\$ -	\$ (0.00265)	\$ (0.00265)	-2.2%

## IX.

### Commodity Costs

As shown in the table above, the estimated WACOG change is a *slight* increase of \$0.00654 per therm. The proposed WACOG, including the revenue conversion factor, is \$0.17025 per therm compared to the present WACOG of \$0.16371 per therm included in rates. The overall reduction in the WACOG is generally the result of the continued high natural gas production levels and an abundance of natural gas in storage.

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 2017-2018 for the forthcoming PGA year. Approximately 32% of estimated annual load requirements for the PGA year (November 2018 through October 2019) will be hedged at a fixed-price derived from the Company's Plan. These volumes are comprised of: 1) volumes hedged for a term of one year or less, and 2) volumes from prior multi-year hedges. Through July, the hedge volumes for the PGA year have been executed at a weighted average price of \$2.50 per dekatherm (\$0.250 per therm).

The Company used a 30-day historical average of forward prices and supply basins (ending July 31, 2018) 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 68% of estimated annual load requirements for the coming year. The annual weighted average price for these volumes is \$1.50 per dekatherm (\$0.150 per therm).

X.

**Demand Costs**

Demand costs reflect the cost of pipeline transportation to the Company's system, as well as fixed costs associated with natural gas storage. As shown in the table above, demand costs are expected to decrease for residential customers by approximately \$0.00918 per therm. This reduction is primarily due to the pricing of Canadian pipeline costs in U.S. dollars rather than Canadian dollars.<sup>1</sup>

XI.

**Schedule 155 / Amortization Rate Change**

As shown in the table above, the proposed amortization rate change for Schedule 101 and Schedule 111 is a decrease of \$0.00283 per therm. The current rate applicable to Schedule 101 and Schedule 111 is \$0.08862 per therm in the rebate direction; the proposed rate is \$0.09145 per therm also in the rebate direction. This rate is comprised of the following components:

Rate Schedule 155	(\$7,935,767)
Idaho Earnings Test	(\$ 65,272)
Temporary Tax Benefits	<u>(\$ 579,410)</u>
Total	(\$8,580,449)

The first balance is related to the previous year's residual amortization balance and deferrals in Rate Schedule 155. The Company was able to replace 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) resulting in a deferral balance of approximately \$7.9 million.<sup>2</sup>

The second balance included in this filing is related to the Idaho Earnings test deferral (Rate Schedule 197) approved in Case No. AVU-G-15-01, Order No. 33437. This amount represents the residual balance remaining from the deferral of earnings sharing.

The third balance included in this filing is related to the Temporary Tax Benefits agreed to as part of the Settlement Stipulation in Case No. GNR-U-18-01 which states at page 11, part (a) "The parties agree that the Company will include the Natural Gas Temporary Tax Benefit of \$544,000 as an adjustment within the Purchase Gas Adjustment (PGA) effective November 1, 2018".

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<sup>1</sup> In previous years, due to the U.S and Canadian currency being close to par, in Company used Canadian dollars in setting the demand rate for Transcanada- AB (NOVA system), Transcanad-BC (Foothills system) and Spectra –Westcoast. The actual costs, however, were recorded in U.S. Dollars at the actual exchange rate on the date of payment.

<sup>2</sup> Included in this \$7.9 million is \$12,233.26 related to the residual balance of the Idaho Holdback (transferred in November 2017). In Case No. AVU-G-12-07, Order No. 32769, approximately \$1.55 million of the existing PGA deferral balance was approved to offset increases related to the GRC. This amount was amortized from November 2013 through December 2014, with a rebate of \$12,233.26 remaining. After correspondence with Staff, we transferred this remaining balance into the PGA account amortization in order to fully pass it back to customers.

XII.

If approved as filed, the Company's annual revenue will *decrease* by approximately \$0.06 million or about 1.0% effective November 1, 2018. Residential or small commercial customers using an average of 63 therms per month would see a *decrease* of \$0.34 per month, or approximately 0.7%. The present bill for 63 therms is \$48.31 while the proposed bill is \$47.97.

XIII.

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

XIV.

Avista requests that the rates proposed in this filing be approved to become effective on November 1, 2018, 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.

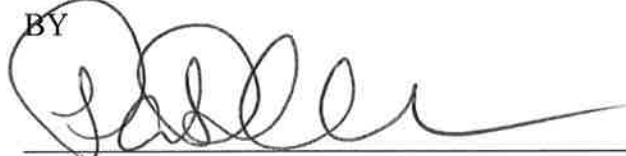
XV.

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 November 1, 2018.

Dated at Spokane, Washington, this 24<sup>th</sup> day of August 2018.

AVISTA UTILITIES

BY

A handwritten signature in black ink, appearing to read 'Patrick D. Ehrbar', written over a horizontal line.

Patrick D. Ehrbar

Director of Regulatory Affairs

## VERIFICATION

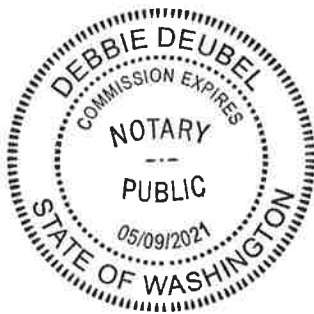
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Patrick D. Ehrbar, being first duly sworn on oath, deposes and says: That he is Director of Regulatory Affairs of Avista Utilities and makes this verification for and on behalf of Avista Corporation, being thereto duly authorized;

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

Shelley

SIGNED AND SWORN to before me this 24<sup>th</sup> day of August 2018, by Patrick D. Ehrbar



Debbie Dunkel

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

Commission Expires: 05-09-2021

# **AVISTA UTILITIES**

Case No. AVU-G-18-0\_\_

## **EXHIBIT “A”**

**Proposed Tariff Sheets**

August 24, 2018

AVISTA CORPORATION  
d/b/a Avista Utilities

**SCHEDULE 150  
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 purchasing and transporting natural gas, to become effective as noted below.

**RATE:**

- (a) The retail rates of firm gas Schedules 101, 111 and 112 are to be increased by 26.665¢ per therm in all blocks of these rate schedules.
- (b) The rates of interruptible Schedules 131 and 132 are to be increased by 17.025¢ per therm.
- (c) The rate for transportation under Schedule 146 is to be decreased by 0.000¢ 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:

	Demand	Commodity	Total
Schedules 101	9.640¢	17.025¢	26.665¢
Schedules 111 and 112	9.640¢	17.025¢	26.665¢
Schedules 131 and 132	0.000¢	17.025¢	17.025¢

**The above amounts include a gross revenue factor.**

	Demand	Commodity	Total
Schedules 101	9.584¢	16.926¢	26.510¢
Schedules 111 and 112	9.584¢	16.926¢	26.510¢
Schedules 131 and 132	0.000¢	16.926¢	16.926¢

**The above amounts do not include a gross revenue factor.**

**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.

Issued August 24, 2018

Effective November 1, 2018

Issued by Avista Utilities

By

Patrick Ehrbar – Director of Regulatory Affairs





AVISTA CORPORATION  
d/b/a Avista Utilities

**SCHEDULE 150  
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 purchasing and transporting natural gas, to become effective as noted below.

**RATE:**

- (a) The retail rates of firm gas Schedules 101, 111 and 112 are to be increased by ~~26.929¢~~ per therm in all blocks of these rate schedules.
- (b) The rates of interruptible Schedules 131 and 132 are to be increased by ~~16.371¢~~ per therm.
- (c) The rate for transportation under Schedule 146 is to be decreased by 0.000¢ 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:

	Demand	Commodity	Total
Schedules 101	<del>10.558¢</del>	<del>16.371¢</del>	<del>26.929¢</del>
Schedules 111 and 112	<del>10.558¢</del>	<del>16.371¢</del>	<del>26.929¢</del>
Schedules 131 and 132	<del>0.000¢</del>	<del>16.371¢</del>	<del>16.371¢</del>

**The above amounts include a gross revenue factor.**

	Demand	Commodity	Total
Schedules 101	<del>10.497¢</del>	<del>16.276¢</del>	<del>26.773¢</del>
Schedules 111 and 112	<del>10.497¢</del>	<del>16.276¢</del>	<del>26.773¢</del>
Schedules 131 and 132	<del>0.000¢</del>	<del>16.276¢</del>	<del>16.276¢</del>

**The above amounts do not include a gross revenue factor.**

**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.

Issued August 24, 2018

Effective November 30, 2018

Issued by Avista Utilities  
By

Patrick Ehrbar – Director of Regulatory Affairs

AVISTA CORPORATION  
d/b/a Avista Utilities

**SCHEDULE 150  
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 purchasing and transporting natural gas, to become effective as noted below.

**RATE:**

- (a) The retail rates of firm gas Schedules 101, 111 and 112 are to be increased by 26.665¢ per therm in all blocks of these rate schedules.
- (b) The rates of interruptible Schedules 131 and 132 are to be increased by 17.025¢ per therm.
- (c) The rate for transportation under Schedule 146 is to be decreased by 0.000¢ 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:

	Demand	Commodity	Total
Schedules 101	<u>9.640¢</u>	<u>17.025¢</u>	<u>26.665¢</u>
Schedules 111 and 112	<u>9.640¢</u>	<u>17.025¢</u>	<u>26.665¢</u>
Schedules 131 and 132	0.000¢	<u>17.025¢</u>	<u>17.025¢</u>

**The above amounts include a gross revenue factor.**

	Demand	Commodity	Total
Schedules 101	9.584¢	16.926¢	26.510¢
Schedules 111 and 112	9.584¢	16.926¢	26.510¢
Schedules 131 and 132	0.000¢	16.926¢	16.926¢

**The above amounts do not include a gross revenue factor.**

**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.

Issued August 24, 2018

Effective November 1, 2018

Issued by Avista Utilities  
By

Patrick Ehrbar – Director of Regulatory Affairs

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 9.145¢ per therm in all blocks of these rate schedules.
- (b) The rate of interruptible gas Schedule 131 is to be decreased by 0.000¢ per therm.
- (c) The rate of transportation gas Schedule 146 is to be decreased by 0.265¢ 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 August 24, 2018

Effective November 1, 2018

Issued by Avista Utilities  
By

Patrick Ehrbar, Director of Regulatory Affairs



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 ~~8.862¢~~ per therm in all blocks of these rate schedules.
- (b) The rate of interruptible gas Schedule 131 is to be decreased by 0.000¢ 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 August 30, 2017

Effective November 1, 2017

Issued by Avista Utilities

By

*Kelly Norwood*

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 9.145¢ per therm in all blocks of these rate schedules.
- (b) The rate of interruptible gas Schedule 131 is to be decreased by 0.000¢ per therm.
- (c) The rate of transportation gas Schedule 146 is to be decreased by 0.265¢ per therm.

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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 August 24, 2018

Effective November 1, 2018

Issued by Avista Utilities  
By

Patrick Ehrbar, Director of Regulatory Affairs