

Agenda Date: October 27, 2004

Item Number: A4

Docket: UG-041786

Company: Avista Corp., d.b.a. Avista Utilities

Staff: Joanna Huang, Regulatory Analyst

Recommendation:

Allow the revised tariff sheets filed in Docket UG-041786 to become effective on November 1, 2004, by operation of law.

Background:

On August 31, 2003, Avista Corp., d/b/a Avista Utilities (“Avista” or “Company”) originally filed its Purchase Gas Adjustment and Deferred Gas Cost Amortization tariffs with an effective date of October 1, 2004, in Docket UG-041514. On September 21, 2004, Avista withdrew the filing in order to correct the allocation of certain demand costs and GRI funding. On October 1, 2004, Avista refiled its Purchase Gas Adjustment and Deferred Gas Cost Amortization tariffs with an effective date of November 1, 2004, in Docket UG-041786. Subsequently, Avista filed a substitute tariff sheet for Schedule 150 to include a detailed breakdown of the Weighted Cost of Gas for rate schedules. The net effect of the filing is an increase in annual revenues of \$17.3 million (11.74 %).

Avista serves approximately 129,000 natural gas customers in Eastern Washington, including Spokane and surrounding communities.

The Purchased Gas Adjustment (PGA) and Deferral Amortization mechanisms are designed to pass on actual gas costs to customers. The PGA establishes for the upcoming year what the best projection is going to be for the cost of gas. The difference between the projected cost and the actual cost is deferred in Account 191 and amortized back to customers with interest, whether it is a refund or surcharge.

The PGA portion of this filing reflects a weighted average cost of gas of \$0.56786/therm in rates. Currently, the PGA rate reflects a WACOG of \$0.46298. This change results in an increase to annual revenues of \$19.1 million (13.02%). The increase is due to the expected

higher wholesale price for commodity gas cost.

The gas cost deferral amortization portion of this filing reflects a decrease to annual revenues of \$1,875,337 (1.28%). Currently, Deferred Gas Cost Amortization rate is a surcharge designed to collect an under-recovery of gas costs from July 1, 2002, through June 30, 2003. The Company proposes a smaller surcharge in this filing to recover the under-recovery of \$4.2 million. The deferral period covers the twelve-month ended June 30, 2004.

Summary:

The impact of the filing on a monthly bill to residential customers with consumption of 80 therms will be an increase of \$8.26 (11.99 %).

The net effect of the PGA and gas cost deferral amortization filings on the Company's rates and annual Washington revenues is as follows:

	Per Therm <u>Change</u>	Annual Rev. <u>Change</u>	Percent <u>Change</u>
Residential	\$0.10328	\$11,497,805	11.99%
Commercial	0.10434	4,909,278	13.90%
Industrial	0.10573	792,789	15.17%
Interruptible	0.10686	84,812	15.93%
Transportation	(0.00139)	<u>(18,620)</u>	<u>(2.51%)</u>
Total		\$ 17,266,064	11.74%

Conclusion:

Staff has reviewed the Company's prospective gas costs and deferral accounts and found them reasonable. Staff recommends the Commission allow the filing in Docket UG-041786 to become effective November 1, 2004, by operation of law.