Agenda Date:	October 29, 2015
Item Number:	A2
Docket:	**UG-151758**
Company Name:	Avista Corporation
Staff:	Joanna Huang, Regulatory Analyst

Recommendation

Take no action, thereby allowing the Tariff Revisions filed by Avista Corporation in Docket UG-151758, to take effect November 1, 2015, by operation of law.

Background

On August 27, 2015, Avista Corporation (Avista or company) filed revisions to its Purchased Gas Adjustment (PGA) deferred gas cost amortization tariffs in Docket UG-151758. The net effect of the proposed filing is a decrease in annual gas revenue of $26.1 million or approximately 15 percent.

Docket	Description	Revenue Change	Percent of Total Revenue
UG-151758	Forward-Looking	$(24,356,442)	(13.93) percent
UG-151758	Amortization	(1,778,251)	(1.02) percent
Total Impact of Rate Changes		$(26,134,693)	(14.95) percent

The PGA and deferred gas cost amortization mechanisms are designed to pass through to customers the utility's actual cost of natural gas on a periodic basis. The PGA establishes for the upcoming year a projection of the utility's gas costs reflected in Schedule 150. The difference between the projected cost from the previous PGA filing, and the actual cost incurred for the period, is deferred and ultimately amortized back to customers with interest as a refund or a surcharge reflected in Schedule 155.

Avista, a combined electric and gas utility, serves approximately 150,000 gas customers in Eastern Washington.

Discussion

Purchased Gas Adjustment

Avista's Schedule 150 reflects the projected costs of purchased gas for the coming PGA year, which covers November 2015 through October 2016. Currently, Avista's embedded Weighted Average Cost of Gas (WACOG) is $0.50327per therm ($0.38497 commodity and $0.11830 firm demand). The proposed WACOG is $ 0.37164 per therm ($0.25031 commodity and $0.12133 firm demand).[1] This portion of filing results in an estimated overall annual decrease in sales revenues of approximately $24.4 million or 13.93 percent.

[1] The listed charges are *before* revenue sensitive items for comparison purpose.

Avista's Schedule 155 reflects deferred costs that are the result of differences between prior years projected gas costs and the actual realized costs from July 1, 2014, through June 30, 2015. In this filing, the difference between prior year's deferral balances and the current year deferral balance resulted in a net refund to customers of approximately $1.8 million or 1.02 percent..

Commodity Cost

In arriving at an estimated commodity cost for the coming year, the company uses a variety of known and estimated inputs. Known inputs include volume of gas to be delivered within the PGA year hedged at a fixed price, and actual cost and volume of gas in storage. Estimated inputs include load for the PGA year, future spot/index prices, and fixed price for the PGA year.

Avista uses a 30-day historical average of forward prices, ending July 15, 2015, by supply basins to develop the estimate of index purchases. In today's filing, Avista's estimated commodity costs are projected to decrease by $0.13466 per therm from the current commodity cost of $0.38497 to $0.25031 (before revenue sensitive tax) for the upcoming PGA period of November 2015 to October 2016

The following chart shows the estimated residential customer commodity and demand charges for the gas local distribution companies (LDCs) regulated by this commission.[2]

WACOG	Avista	Puget Sound Energy	Northwest Natural	Cascade Natural Gas
Commodity	$0.25031	$0.29270	$0.30754	$0.34417
Demand (firm)	$0.12133	$0.12898	$0.11582	$0.18370
Total	**$0.37164**	**$0.42168**	**$0.42336**	**$0.52787**

Demand Costs

Demand costs represent the cost of pipeline transportation to the company's local distribution system. This portion of slight increase is due to the increase in the new rates for TransCanada-Gas Transmission Northwest (GTN). The new rates will go into effect January 1, 2016.

Deferred Gas Cost

Schedule 155 reflects the amortization rate of the gas cost deferral balance accumulated during the prior year. This difference is amortized to customers, as a rebate or a surcharge with interest. Last year's PGA amortization balance was based on approximately $2.0 million refund. And this year's proposed deferred amortization balance is approximately $3.7 million refund. Therefore, this portion of filing results in an estimated overall annual increase in refund of approximately $1.8 million.

[2] Commodity and demand charges for all LDC's are *before* revenue sensitive items for comparison purpose.

Revenue Impacts

The total annual revenue change in Avista's proposed filing results in an decrease of approximately $26.1 million (including revenue sensitive items) or a 15 percent increase in annual gas revenues, as detailed in the following table.

Customer Class	Schedule Number	Schedule 150 PGA	Schedule 155 Deferral Amortization	Total Revenue Impact	Percent Change
Residential	101	($0.13780)	($0.01176)	$(18,055,519)	-14.30%
Commercial	111	($0.14288)	($0.00579)	$ (7,067,462)	-18.00%
Industrial-Firm	121&122	($0.13469)	($0.00519)	$ (798,687)	-18.38%
Interruptible	132	($0.13982)	($0.00012)	$ (155,862)	-20.50%
Transportation	146		$0.00002	$ 640	0.03%
Other				$ (57,803)	- 0.03%
Total Change				**$(26,134,693)**	**-14.95%**

Residential Bill Impacts

The impact of this filing on a residential customer with monthly average consumption of 68 therms is a decrease of $10.17 per month or 14.9 percent, for a proposed bill of $58.03 versus a current bill of $68.20.

Conclusion

Staff has reviewed Avista's expected gas costs (Schedule 150) and deferral amortization rates (Schedule 155) and Schedule 149 proposed in the company's filing and find them to be reasonable. Therefore staff recommends the commission take no action, thereby allowing the tariff filing in Docket UG-151758 to become effective November 1, 2015, by operation of law.