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UG-041786 (F)  
10-27-04  
**AVISTA**

Corp.

September 30, 2004

State of Washington  
Washington Utilities & Transportation Commission  
1300 S. Evergreen Park Drive  
Olympia, Washington 98504-8002

Attention: Ms. Carole Washburn, Executive Secretary

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STATE OF WASH.  
UTIL. AND TRANSP.  
COMMISSION

TARIFF WN U-29 NATURAL GAS SERVICE

Enclosed for filing with the Washington Utilities and Transportation Commission are three copies of the following tariff sheets:

Fifth Revision Sheet 150 canceling Fourth Revision Sheet 150,  
Fifth Revision Sheet 150A canceling Fourth Revision Sheet 150A and,  
Fifth Revision Sheet 155 canceling Fourth Revision Sheet 155

The Company originally filed the above tariff sheets by letter dated August 19, 2004. That filing was withdrawn by transmittal letter dated September 20, 2004. After review of the filing by the Commission Staff, the Company and Staff agreed to several minor changes to the original filing that are reflected in this filing.

The proposed tariff sheets bear an effective date of November 1, 2004, and will result in an estimated annual revenue increase of approximately 11.7% or about \$17.3 million. Of this amount, approximately \$19.1 million reflects the estimated increase in the cost of gas over the next twelve months as compared to the gas cost reflected in present rates. This amount is reduced by approximately \$1.9 million, reflecting a reduction in the current deferred gas cost amortization rate. The amortization rate recovers or refunds the difference between what the Company actually paid for gas and the amount collected from customers that has accumulated from July 2003 through June 2004.

The cost of gas has risen considerably during 2004 compared to 2003. The weighted average cost of gas (WACOG) included in the proposed rates is approximately 55.9 cents per therm compared to the WACOG of 45.3 cents per therm in current rates, resulting in a proposed increase of 10.6 cents. The 55.9 cents proposed WACOG is estimated for the period October 2004 through September 2005, as shown on Exhibit F. This cost is estimated based on recent forward natural gas prices and fixed price hedges executed to date. The company executes hedges for approximately one-half of projected annual customer load requirements. The Company has executed four hedges to date for the coming winter (November-March), representing approximately 40% of the winter volumes to be hedged and 30% of the total annual volumes scheduled for hedging.

The present amortization rate for the majority of customers (Schedule 101) included in current rates is a surcharge of approximately 3.7 cents per therm. The proposed amortization rate is a surcharge is 2.6 cents per therm, reflecting a proposed reduction of 1.1 cents per therm. The proposed surcharge of 2.6 cents per therm will recover the existing deferred gas cost balance of \$4.2 million (as of June 30, 2004) over the next twelve months, based on estimated sales volumes. This information, as well as the proposed amortization rate for the other service schedules, is shown on pages 21 – 33 of Exhibit E.

The deferred gas cost balance of \$4.2 million reflects a reduction of approximately \$2.5 million recorded in June 2004, to record the effect of a pipeline meter error that occurred from September 2002 through February 2004. This pipeline meter error resulted in substantial volumes of gas being received by the Company that were not billed by Northwest Pipeline and an overstatement in allocated Washington deferred gas costs (and an understatement in Idaho) during the period of the meter error. The \$2.5 million adjustment recorded in June corrects the prior overstatement of deferred

costs. However, the gas that was received but not billed by Northwest Pipeline during that period must be paid back. Through an agreement with the pipeline, the Company will pay back the gas by October 2005 and additional Washington gas deferrals of approximately \$2.6 million will be recorded as the gas is paid back. Additional detail related to meter error is included in Exhibit H.

The proposed changes by rate schedule are as follows:

		Rate Change Per Therm Increase <Decrease>	Estimated Monthly Percentage Increase <Decrease>
Schedule 101	Residential & Small Comm.	\$0.10328	11.99%
Schedule 111	Large General Service	\$0.10434	13.90%
Schedule 121	Ex. Large General Service	\$0.10573	15.17%
Schedule 131	Interruptible Service	\$0.10686	15.93%
Schedule 146	Transportation	<\$0.00139>	<2.51>%

A residential customer using 78 therms per month will see an average monthly increase of approximately \$8.06, which is exactly the same increase as proposed in the original (August 19<sup>th</sup>) filing. The percentage increases for all firm sales schedules (Schedules 101-121) are the same as proposed in the original filing.

Enclosed are three copies of work papers supporting the proposed tariff changes and three copies of the original "Notice of Tariff Change" which was posted in the Company's business offices coincident with the date of the original filing. Also enclosed is a copy of the press release and the customer notice (bill insert) that were issued coincident with the original filing.

The Company requests that the proposed tariff sheets become effective on November 1, 2004.

Please direct any questions regarding this filing to Craig Bertholf at (509) 495-4124.

Sincerely;



Kelly O. Norwood, Vice President  
State and Federal Regulation

## CERTIFICATE OF SERVICE

I HEREBY CERTIFY that I have served Avista Corporation's Tariff WUTC WN-U-29 Natural Gas Service by mailing a copy thereof, postage prepaid to the following:

Mr. Edward A. Finklea  
Cable Huston Benedict Haagensen &  
Lloyd, LLP  
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Portland, OR 97209-2220

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Lake Oswego, OR 97035

WUTC  
Ms Carole Washburn, Executive Secretary  
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Olympia, WA 98504

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St. Lukes  
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SCC-Purchasing  
2000 N Greene Street  
Spokane, WA 99207

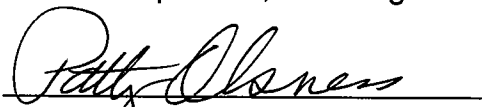
SFCC-Purchasing  
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Washington Department of Corrections  
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Veterans Hospital  
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Spokane, WA 99205

Dated at Spokane, Washington this 30th day of September 2004.



Patty Olshness  
Rates Coordinator