

Avista Corp.
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September 13, 2013

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

Attention: Mr. Steven King, Executive Director and Secretary

RE: WN U-29 – Natural Gas Service
Avista’s Annual Purchased Gas Adjustment (PGA)

Enclosed for filing with the Commission is a copy of the following proposed tariff sheets:

Fourteenth Revision Sheet 150 canceling Thirteenth Revision Sheet 150
 Sixteenth Revision Sheet 155 canceling Fifteenth Revision Sheet 155

The Company requests that the proposed tariff sheets be made effective on November 1, 2013.

This filing reflects the Company’s proposed annual Purchased Gas Cost Adjustment (PGA) to: 1) pass through changes in the estimated cost of natural gas for the forthcoming year (Schedule 150), and 2) revise the amortization rate(s) to refund or collect the balance of deferred natural gas costs (Schedule 155). Below is a table summarizing the proposed changes reflected in this filing.

| <u>Service</u> | <u>Sch. No.</u> | <u>Commodity Change per therm</u> | <u>Demand Change per therm</u> | <u>Total Sch. 150 Change</u> | <u>Sch. 155 Amort. per therm</u> | <u>Total Rate Change per therm</u> | <u>Total Percent Change</u> |
|-------------------|-----------------|-----------------------------------|--------------------------------|------------------------------|----------------------------------|------------------------------------|-----------------------------|
| General | 101 | \$0.03404 | \$0.00926 | \$0.04330 | \$0.03670 | \$0.08000 | 9.0% |
| Large General | 111 | \$0.03404 | \$0.00990 | \$0.04394 | \$0.03595 | \$0.07989 | 10.4% |
| Ex. Large General | 121 | \$0.03404 | \$0.00549 | \$0.03953 | \$0.04604 | \$0.08557 | 13.3% |
| Interruptible | 131 | \$0.03404 | \$0.00146 | \$0.03550 | \$0.02623 | \$0.06173 | 5.8% |
| Transportation | 146 | \$0.00000 | \$0.00000 | \$0.0000 | (\$0.00017) | (\$0.00017) | (0.2%) |

Commodity Costs

As shown in the table above, the estimated commodity cost (WACOG) change is an increase of 3.4 cents per therm. The proposed WACOG, including the revenue conversion factor, is 38.0 cents per therm compared to the present WACOG of 34.6 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. Approximately 40% 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) 11% of volumes hedged for a term of one year or less, and 2) 29% of volumes from prior multi-year hedges. Through August, the planned hedge volumes for the PGA year have been executed at a weighted average price of \$4.53 per dekatherm (\$0.453 per therm).

Available underground storage capacity at Jackson Prairie represents approximately 21% 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 \$2.88 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 August 26, 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 39% of estimated annual load requirements for the coming year. The annual weighted average price for these volumes is \$3.31 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.

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.

Schedule 155 / Amortization Rate Change

As shown in the table above, the proposed change for rate schedule 101 in the amortization rate is an increase of \$0.03670 per therm. The current rate for Schedule 155 is (\$0.03322) per therm in the rebate direction; the proposed rate is \$0.00348 per therm in the surcharge direction. The primary reason for the increase in the Schedule 155 amortization rate is the result of almost fully amortizing \$5.6 million deferral balance (rebate direction) approved in the 2012 PGA. Current period deferrals offset this balance with an under-collection (surcharge direction) from customers of approximately \$1.1 million. This is due to the increase in commodity costs described above. The result is a deferral balance, in the surcharge direction, of approximately \$0.7 million.

Other Information

The annual revenue change reflected in this filing is an *increase* of \$13.7 million, or an *increase* in annual gas revenue of 9.2%. The average residential or small commercial customer using 68 therms per month will see an increase of \$5.44 per month, or approximately 9.4%. The present bill for 68 therms is \$57.63 while the proposed bill is \$63.07.

Also enclosed are the workpapers supporting the proposed rate changes and a media release which will be issued coincident with this filing. The Company will also send a bill insert to customers regarding the proposed increase prior to November 1.

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

Sincerely,



David J. Meyer
Vice President and Chief Counsel for
Regulatory and Governmental Affairs

Enclosures

VERIFICATION

STATE OF WASHINGTON)
 :SS
County of Spokane)

I, David J. Meyer, being first duly sworn on oath, deposes and says: That he is the Vice President and Chief Counsel of Regulatory and Governmental Affairs of Avista Corporation and makes this verification for and on behalf of said corporation, being thereto duly authorized;

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

David J. Meyer _____

SIGNED AND SWORN to before me this 13th day of September 2013, by David J. Meyer.



Patty L. Hanson _____
NOTARY PUBLIC in and for the State of
Washington, residing at Spokane.
Commission Expires: 11/23/2013

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:

Chad M. Stokes
Cable Huston Benedict Haagensen & Lloyd, LLP
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Washington Utilities & Transportation Commission
Steven King, Executive Director and Secretary
1300 Evergreen Park Dr. SW
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Sent via the UTC Web Portal

Spokane County
Ron Oscarson, Director of Facilities
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Mr. Edward A Finklea
Northwest Industrial Gas Users
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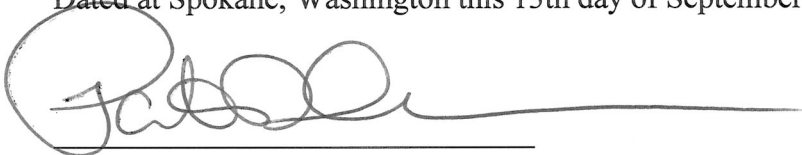
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Mr. Simon ffitch
Office of the Attorney General
800 Fifth Avenue, Suite 2000
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Dated at Spokane, Washington this 13th day of September 2013.



Patrick Ehrbar
Manager, Rates & Tariffs