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December 22, 2017

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 “Out of Cycle” Purchased Gas Cost Adjustment**

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

**Nineteenth Revision Sheet 150 canceling Eighteenth Revision Sheet 150**

The Company requests that the proposed tariff sheet be made effective January 26, 2018.

This filing reflects the Company’s proposed ”Out of Cycle” Purchased Gas Cost Adjustment (PGA) to pass through to customers changes in the estimated cost of natural gas (Schedule 150) for the period January 1, 2018 through October 31, 2018. The annual revenue change for the ten months reflected in this filing is a *decrease* of \$7.3 million, or 7.1%. Below is a table which summarizes the proposed change by rate schedule:

<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	\$ (0.05641)	\$ -	\$ (0.05641)	\$ -	\$ (0.05641)	<b>-6.5%</b>
Large General	111	\$ (0.05641)	\$ -	\$ (0.05641)	\$ -	\$ (0.05641)	<b>-9.6%</b>
Ex. Large General	121	\$ (0.05641)	\$ -	\$ (0.05641)	\$ -	\$ (0.05641)	<b>-10.6%</b>
Ex Large General	122	\$ (0.05641)	\$ -	\$ (0.05641)	\$ -	\$ (0.05641)	<b>-10.5%</b>
Interruptible	132	\$ (0.05641)	\$ -	\$ (0.09023)	\$ -	\$ (0.09023)	<b>-31.9%</b>
Transportation	146	\$ -	\$ -	\$ -	\$ -	\$ -	<b>0.0%</b>

## **Commodity Costs**

In Docket No. UG-170932, the Commission approved the Company's annual PGA with a November 1, 2017 effective date. In that filing, the Company's commodity weighted average cost of gas ("Commodity WACOG") was reduced by approximately \$0.02043 per therm (2.6%), from \$0.25009 per therm to \$0.22868 per therm (including revenue sensitive costs). As discussed in that filing, the overall reduction in the Commodity WACOG was the result of continued high natural gas production levels and an abundance of natural gas in storage. These factors have continued to put further downward pressure on wholesale natural gas prices. In order to provide customers with the benefit from this reduction during the winter heating season, the Company proposes to reduce the Commodity WACOG from the \$0.22868 per therm embedded in current rates to \$0.17227 per therm for the remainder of the PGA year, representing a decrease of \$0.05641 per therm.

The Company calculated the proposed Commodity WACOG of \$0.17227 per therm by adjusting just two items. First, the Company used a 30-day historical average of forward prices and supply basins (as of December 18, 2017) 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. The annual weighted average price for these volumes is \$1.461 per dekatherm (\$0.146 per therm). The annual weighted average price presently included in rates is \$2.15 per dekatherm (\$0.215 per therm).

Second, the Company entered into additional natural gas hedges after it filed its annual PGA. The weighted average price for hedged natural gas presently included in rates is \$2.63 per dekatherm (\$0.263 per therm). The annual weighted average price for all hedges, including those entered into after the annual PGA filing, is \$2.33 per dekatherm (\$0.233 per therm).

Simply updating the 30-day historical average of forward wholesale natural gas prices, and reflecting all hedges entered into to date, results in a proposed \$7.3 million revenue reduction.

## **Demand Costs and Schedule 155/Amortization Rate Change**

In order to expedite the processing of this filing so that customers can start receiving the benefit of lower natural gas costs this winter, the Company is not requesting any changes related to demand charges or Schedule 155 (Amortization Rate) in this filing. Any changes to those items will occur in the Company's next annual PGA filing.

## **Summary**

The revenue change for the ten months (January 2018-October 2018) reflected in this filing is a *decrease* of \$7.3 million, or a *decrease* in annual natural gas revenue of 7.1%. The average residential or small commercial customer using 54 therms per month will see a decrease of \$3.05 per month, or approximately 6.3%. The present bill for 54 therms is \$48.44 while the proposed bill is \$45.39.

Also enclosed are the workpapers supporting the proposed rate changes, and a media release which will be issued coincident with this filing.

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

Sincerely,

A handwritten signature in black ink, appearing to read "Patrick D. Ehrbar", with a long horizontal flourish extending to the right.

Patrick D. Ehrbar  
Director of Rates

