

Avista Corp.
 1411 East Mission P.O. Box 3727
 Spokane, Washington 99220-0500
 Telephone 509-489-0500
 Toll Free 800-727-9170



August 27, 2015

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 Cost Adjustment (PGA)

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

Second Revision Sheet 149 canceling Sub. First Sheet 149¹
Sixteenth Revision Sheet 150 canceling Fifteenth Revision Sheet 150
Eighteenth Revision Sheet 155 canceling Seventeenth Revision Sheet 155

The Company requests that the proposed tariff sheets be made effective on November 1, 2015.

This filing is the Company’s 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 commodity and demand costs (Schedule 155). Below is a table summarizing the proposed changes reflected in this filing.

	Sch.	Commodity	Demand	Total	Sch. 155	Total Rate	Total
<u>Service</u>	<u>No.</u>	<u>Change</u>	<u>Change</u>	<u>Sch. 150</u>	<u>Amort.</u>	<u>Change</u>	<u>Percent</u>
		<u>per therm</u>	<u>per therm</u>	<u>Change</u>	<u>per therm</u>	<u>per therm</u>	<u>Change</u>
General	101	\$ (0.14098)	\$ 0.00318	\$ (0.13780)	\$ (0.01176)	\$ (0.14956)	-14.3%
Large General	111	\$ (0.14098)	\$ (0.00190)	\$ (0.14288)	\$ (0.00579)	\$ (0.14867)	-18.0%
Ex. Large General	121	\$ (0.14098)	\$ 0.00629	\$ (0.13469)	\$ (0.00519)	\$ (0.13988)	-18.5%
Ex Large General	122	\$ (0.14098)	\$ 0.00629	\$ (0.13469)	\$ 0.00012	\$ (0.13457)	-17.8%
Interruptible	132	\$ (0.14098)	\$ 0.00116	\$ (0.13982)	\$ 0.00012	\$ (0.13970)	-20.5%
Transportation	146	\$ -	\$ -	\$ -	\$ 0.00002	\$ 0.00002	0.0%

¹ Schedule 149 Backup and Supplemental Compressed Natural Gas Service is being filed in this PGA. One of the components used to develop the rate for Schedule 149 is the billing rate for Schedule 111. We have adjusted the billing rate for Schedule 111 to include the effects of this PGA as well as the rate increase in Schedule 192, Low Income Rate Assistance Rate Adjustment, as that rate change will occur on October 1, 2015.

Commodity Costs

As shown in the table above, the estimated Weighted Average Cost of Gas (“WACOG”) change is a decrease of 14.1 cents per therm. The proposed WACOG, including the revenue conversion factor, is 26.2 cents per therm compared to the present WACOG of 40.3 cents per therm included in rates.

The winter of 2014-2015 was significantly warmer than normal both in the western United States and nationally. The warmer than normal weather led to a decrease in overall natural gas demand and reduced wholesale natural gas prices in the winter and spring. The downward pressure on wholesale prices has continued even after the winter period due to the abundance of natural gas in storage and continued high natural gas production levels.

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 Commission 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 2014-2015 for the forthcoming PGA year. Approximately 44% of estimated annual load requirements for the PGA year (November 2015 through October 2016) will be hedged at a fixed-price derived from the Company’s Plan. These volumes are comprised of: 1) 13% of volumes hedged for a term of one year or less, and 2) 31% of volumes from prior multi-year hedges. Through August 2015, the planned hedge volumes for the PGA year have been executed at a weighted average price of \$3.33 per dekatherm (\$0.333 per therm).

The Company has approximately 920,000 dekatherms of underground storage capacity at Jackson Prairie. As of June 30, 2015 approximately 412,000 dekatherms of this capacity is available to serve peak day needs with the remaining 508,000 dekatherms being utilized to capture financial benefits for customers associated with optimizing the use of Jackson Prairie by locking in price differentials between time periods.² Approximately \$4.7 million in net storage optimization benefits have been included in this filing. The storage WACOG associated with withdrawal costs as of June 30, 2015 for all remaining storage volumes (providing 5% of annual load requirements) is \$2.37 per dekatherm.

The Company used a 30-day historical average of forward prices and supply basins (ending July 15, 2015) 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 51% of

² Details regarding the storage optimization plan were provided to Staff in a previous communication on June 25, 2015. The Company has included known optimization benefits in this filing, and will pass through to customers the net benefits of future storage optimization transactions in its next PGA.

estimated annual load requirements for the coming year. The annual weighted average price for these volumes is \$2.51 per dekatherm.

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 for most rate schedules. Included in the Company's filing are the new rates for TransCanada-Gas Transmission Northwest (GTN) which will go into effect January 1, 2016.

Schedule 155 / Amortization Rate Change

As shown in the table above, the proposed amortization rate change for Schedule 101 in particular is a decrease of \$0.01176 per therm. The current rate applicable to Schedule 101 is \$0.01530 per therm in the rebate direction; the proposed rate is \$0.02706 per therm is also in the rebate direction.³ The reason for the increase in the Schedule 155 amortization rebate rate is due to wholesale natural gas prices that were lower than the level approved in the Company's 2014 PGA. As a result of the lower prices, the amount of revenue collected from customers exceeded the Company's costs. However, a portion of the benefit of reduced wholesale natural gas prices was offset by an under collection of fixed demand costs which was the result of a warmer than normal winter.

Summary

The annual revenue change reflected in this filing is a *decrease* of \$26.1 million, or a *decrease* in annual gas revenue of 15.0%. The average residential or small commercial customer using 68 therms per month will see an decrease of \$10.17 per month, or approximately 14.9%. The present bill for 68 therms is \$68.16 while the proposed bill is \$57.99.

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 Ryan Finesilver at 509-495-4873 or Patrick Ehrbar at 509-495-8620.

Sincerely,



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

³ The slight rate increase for Schedule 146 transportation customers, who typically are not included in the Company's annual PGA filings as they procure their own natural gas commodity and interstate pipeline transportation, is related to prior period rate recovery of deferred costs related to Jackson Prairie (see Docket No. UG-121501).

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
1001 SW 5th, Suite 2000
Portland, OR 97204-1136

Washington Utilities & Transportation Commission
Steven King, Executive Director and Secretary
1300 Evergreen Park Dr. SW
Olympia, WA 98504
Sent via the UTC Web Portal

Spokane County
Ron Oscarson, Director of Facilities
1211 W. Gardner Avenue
Spokane, WA 99260-0060

Gonzaga University
PO Box 3464
Spokane, WA 99220

Franz Bakery
Attn: Jim Groenenthal
110 N. Fancher
Spokane, WA 99212

Quarry Tile
6328 East Utah
Spokane Valley, WA 99212

Mr. Edward A Finklea
Northwest Industrial Gas Users
326 Fifth Street
Lake Oswego, Oregon 97034

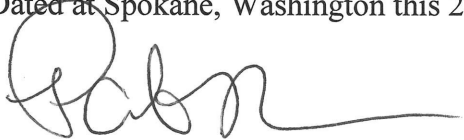
SCC and SFCC-Purchasing
2000 N Greene Street
Spokane, WA 99207

Washington Department of Corrections
PO Box 1899
Airway Heights, WA 99001

St. Lukes
Attn: Accounts Payable
PO Box 469
Spokane, WA 99210

Mr. Simon ffitch
Office of the Attorney General
800 Fifth Avenue, Suite 2000
Seattle, WA 98164

Dated at Spokane, Washington this 27th day of August 2015.



Patrick Ehrbar
Manager, Rates & Tariffs