

1 This Application is filed pursuant to ORS 757.259, which empowers the Commission to
2 authorize the deferral of expenses or revenues of a public utility for later incorporation into
3 rates.

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5 BACKGROUND

6 Deferral of Purchased Gas Cost differences was previously authorized, effective
7 November 1, 2017, by Order No. 17-398 dated October 13, 2017.

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9 DESCRIPTION OF EXPENSES

10 Currently the Company accumulates Purchased Gas Cost differences in two sub-accounts
11 of FERC account number 191, namely account number 191909 and account number 191910.
12 Account number 191909 is used to record the commodity portion of Purchased Gas Cost
13 differences and account number 191910 is used to record the demand portion. After the
14 Commission determines these costs were prudently incurred, these differences are included in
15 the Company's annual Purchased Gas Cost Adjustment (PGA) filing for refund or surcharge to
16 customers.

17 Due to the volatility of the price of natural gas purchased and transported for customer use,
18 the associated costs are difficult to establish with any degree of certainty. This volatility makes
19 the use of deferred accounting extremely important. It is appropriate that deferred accounting
20 be reauthorized for the Purchased Gas Cost differences for the same reasons that originally
21 established the PGA mechanism. Namely, deferred accounting minimizes both the frequency of
22 rate changes and the fluctuation of rate levels pursuant to subsection (2)(C) of ORS 757.259.

1 PROPOSED ACCOUNTING

2 The commodity portion of Purchased Gas Cost differences includes the actual cost of
3 purchasing natural gas, the variable cost of transporting the natural gas from the supply basins
4 to the citygate, the benefits received from storage optimization, off-system sales and other
5 miscellaneous costs or benefits. These costs are compared with the actual commodity costs
6 collected from customers, with 90% of the difference recorded monthly to account number
7 191909.

8 The demand portion of the Purchased Gas Cost differences includes fixed pipeline costs,
9 capacity releases and miscellaneous pipeline related refunds or surcharges. These costs are
10 compared with the actual demand costs collected from customers and the difference is recorded
11 monthly to account number 191910. Interest is calculated on the average net balance and
12 included in the deferral accounts.

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14 CURRENT DEFERRAL AND AMORTIZATION BALANCES

15 As of June 30, 2018, the outstanding balances for the Purchased Gas Cost deferral and
16 amortization accounts are:

Account 191909, Commodity Deferrals	\$ (6,998,121)
Account 191910, Demand Deferrals	(741,737)
Account 191911, Prior Commodity Amortization	337,784
Account 191912, Prior Demand Amortization	(364,461)
Total	<u><u>\$ (7,766,535)</u></u>

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18 Avista seeks with this application to receive reauthorization of the use of sub-accounts of
19 FERC Account No. 191 to account for the Company's Purchased Gas Cost differences for the
20 12-month period, November 1, 2018 through October 31, 2019. This Application will have no

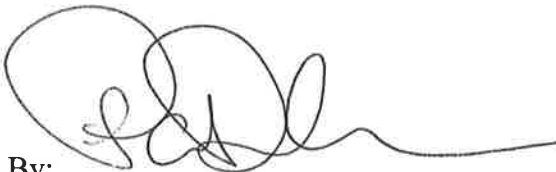
1 effect on Company revenue or customer rates.

2 WHEREFORE, Avista respectfully requests that the Commission reauthorize the
3 Company to defer the costs described in this Application.

4 DATED this 12th day of July 2018.

5 Respectfully submitted,

6 Avista Corporation

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8
9 By: 

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