Avista Corp.
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July 31, 2015

Advice No. 15-04-G/ UG-____ (Purchased Gas Cost Adjustment Filing)

Public Utility Commission of Oregon
201 High St SE
Suite 100
Salem OR 97301

Attention: Filing Center

Pursuant to OAR 860-022-0070, ORS 757.210 and Order Nos. 08-504, 11-196 and 14-238 in Docket No. UM 1286, Avista Utilities hereby submits an original and 10 copies of the following listed tariff sheets applicable to its Oregon natural gas operations along with three (3) copies of supporting workpapers (which are not a part of the official filing). The Company requests that the following tariff sheets become effective on November 1, 2015:

Oregon PUC Sheet No.	**Title of Sheet**	**Canceling Oregon PUC Sheet No.**
Tenth Revision Tariff Sheet 461	Purchased Gas Cost Adjustment Provision	Supplemental Ninth Revision Tariff Sheet 461
Eighth Revision Tariff Sheet 461A	Purchased Gas Cost Adjustment Provision	Supplemental Seventh Revision Tariff Sheet 461A
Fifth Revision Tariff Sheet 462	Gas Cost Rate Adjustment	Supplemental Fourth Revision Tariff Sheet 462

This filing is a Purchased Gas Cost Adjustment (PGA) to change rates within Avista Utilities' natural gas service schedules to reflect the projected cost of natural gas pursuant to tariff Schedule 461, "Purchased Gas Cost Adjustment Provision". Schedule 461 sets forth the estimated purchased natural gas costs for the forthcoming year (November 1, 2015 through October 1, 2016). The difference between the actual cost of natural gas purchased and the amount collected from customers (i.e., the amortization rate pertaining to the PGA balancing account) are passed through to customers through Schedule 462, “Gas Cost Rate Adjustment”.

Table Nos. 1 through 3 below summarize the changes in the 1) forward looking commodity costs included in Schedule 461, 2) the demand costs included in Schedule 461, and 3) the combined changes to Schedule 461 (both commodity and demand):

Table No. 1 - Schedule 461 Commodity

Rate Schedule	Present	Proposed	Change
410, 420, 424, 444	$0.41155	$0.28022	**($0.13133)**
440	$0.41155	$0.28022	**($0.13133)**

Table No. 2 - Schedule 461 Demand

Rate Schedule	Present	Proposed	Change
410, 420, 424, 444	$0.20914	$0.19906	**($0.01008)**
440	$0.00000	$0.00000	**$0.00000**

Table No. 3 - Schedule 461 Commodity + Demand

Rate Schedule	Present	Proposed	Change
410, 420, 424, 444	$0.62069	$0.47928	**($0.14141)**
440	$0.41155	$0.28022	**($0.13133)**

Commodity Costs (Schedule 461)

As shown in the Table No. 1 above, the proposed weighted average cost of gas (“WACOG”) is 28.022 cents per therm, a reduction of 13.133 cents per therm from the present WACOG of 41.150 cents per therm included in customer’s rates. The reduction in the WACOG is generally the result of the continued increase in natural gas supply coupled with an overall reduction in customer demand. The winter of 2014-2015 was significantly warmer than normal, leading to lower customer demand which led to 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.

Avista has been hedging natural gas on both a periodic and discretionary basis throughout 2014-2015 for the forthcoming PGA year. Approximately 49% of estimated annual load requirements for the PGA year (November 2015 through October 2016) will be hedged at a fixed price, comprised of: 1) volumes hedged for a term of one year or less and 2) volumes from prior multi-year hedges. Through June 30, 2015, the planned hedge volumes for the PGA year have been executed at a weighted average price of $3.163 per dekatherm ($0.316 per therm).

As required by Commission Order 14-238, the Company used a 60-day (ending June 30, 2015) historical average of forward prices weighted by supply basin to determine the estimated cost associated with index/spot volumes. These index/spot volumes represent approximately 45% of estimated annual volumes and the annual weighted average price for these volumes is $2.58 per dekatherm ($0.258 per therm). The remainder of the November 2015 to October 2016 load would be met with storage withdrawals.

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.[1] Approximately $0.3 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 storage volumes is $2.27 per dekatherm.

The information contained in the Company's responses to "Natural Gas Portfolio Development Guidelines" describes the Company's Natural Gas Procurement Plan ("Procurement Plan"). The Company's Procurement Plan uses a diversified approach to procure natural gas for the upcoming year. While the Procurement Plan generally incorporates a 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 meets with the Commission Staff quarterly[2] to discuss the state of the wholesale market and the status of the Company's Procurement Plan, among other things. Should there be a deviation from the Procurement Plan due to a change in market dynamics etc., the Company documents and communicates any such changes with the Risk Management Committee and provides updates to Commission Staff.

<u>Demand Costs (Schedule 461)</u>

Demand costs reflect the cost of pipeline transportation to the Company's system, as well as fixed costs associated with natural gas storage. As shown in the Table No. 2 above, demand costs are expected to be a reduction of approximately 0.1 cents per therm. Included in the Company's filing are the new rates for TransCanada-Gas Transmission Northwest (GTN) which will go into effect January 1, 2016.

<u>Amortization of Deferral Accounts (Schedule 462)</u>

Table Nos. 4 through 6 below summarize the changes in the commodity and demand amortization rates included in Schedule 462, and the combined change to Schedule 462 (both commodity <u>and</u> demand):

Table No. 4 - Schedule 462 Commodity Amortization

Rate Schedule	Present	Proposed	Change
410, 420, 424, 444	$0.05099	($0.04927)	**($0.10026)**
440	$0.05099	($0.04927)	**($0.10026)**

[1] 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.
[2] The Northwest Industrial Gas Users (NWIGU) and Citizens' Utility Board (CUB) are invited to, and attend, each Quarterly meeting.

Table No. 5 - Schedule 462 Demand Amortization

Rate Schedule	Present	Proposed	Change
410, 420, 424, 444	($0.05226)	$0.02078	**$0.07304**
440	$0.00000	$0.00000	**$0.00000**

Table No. 6 - Schedule 462 Commodity + Demand Amortizations

Rate Schedule	Present	Proposed	Change
410, 420, 424, 444	($0.00127)	($0.02849)	**($0.02722)**
440	$0.05099	($0.04927)	**($0.10026)**

For the commodity portion of the amortization rate, as noted earlier in this letter, actual wholesale natural gas prices were lower than the level approved in the Company's 2014 PGA. As a result, the amount of revenue collected from customers exceeded the Company's costs and created a rebate deferral balance of approximately $3.8 million (net of residual commodity amortization balance) or 4.9 cents per therm. With a present surcharge amortization rate of approximately 5.1 cents per therm, the proposed change in the commodity portion of the amortization rate is approximately 10.0 cents per therm.

For the demand portion of the amortization rate, the deferral balance as of June 30, 2015 is a surcharge of approximately $1.5 million (net of the residual deferral amortization balance) or 2.1 cents per therm. The present demand amortization rebate rate of 5.2 cents per therm was primarily related to the expiration of a contracted demand rate with Gas Transmission Northwest (GTN) for the Medford Lateral. The proposed surcharge rate is primarily the result of a reclassification of variable demand charges that had been inadvertently recorded in the Commodity Deferral account. In the absence of this reclassification, the demand deferral would have otherwise been relatively unchanged.

Combining the commodity and demand amortization balances results in an overall reduction in the amortization rates included in Schedule 462 as shown in Table No. 6 above.

3% Test

Pursuant to ORS 757.259 and OAR 860-027-0300, the overall annual average rate impact of the amortizations authorized under the statutes may not exceed three percent of the natural gas utility's gross revenues for the preceeding calendar year, unless the Commission finds that allowing a higher amortization rate is reasonable under the circumstances. As shown on Attachment C of the Company's PGA workpapers, total gross revenues for calendar year 2014 was $201,089,425. The total amortization revenue requested for the "Prior Period Gas Cost Deferral" as shown in Attachment A is ($2,414,646). The total amortization revenue requested in Advice No. 15-06-G (DSM Cost Recovery) is $1,728,006. The net effect of combining the results of these two filings is an amortization balance of (686,641). The resulting annual average rate impact from the PGA amortization is (0.3%) and falls within the requirements of the statute.[3]

[3] Please see attachment C included in the Purchase Gas Adjustment workpapers.

Other Information

This filing reflects an overall annual revenue decrease of $14.1 million, or 13.5% effective November 1, 2015. After combining the impact of this PGA filing with the two other regulatory filings made today[4], a residential customer using an average of 46 therms a month could expect their bill to *decrease* by $7.55, or 12.1 percent, for a revised monthly bill of $54.92 effective November 1, 2015.

Pursuant to OAR 860-022-0025 and OAR 860-022-0030, the total number of customers affected by the three filings, and the annual revenue before and after the impact of the proposed rate changes, are as follows:

Rate Schedule	Average Number of Customers
Schedule 410	87,066
Schedule 420	11,365
Schedule 424	81
Schedule 440	35
Schedule 444	4

Sch No	Description	Present Revenues	Proposed Revenues	Revenue Incr (Decr)	Percent Incr (Decr)	Use (Therms)	Present Monthly Cost	Proposed Monthly Cost	Change to Monthly Cost	% Change Monthly Cost
410	Residential	$ 64,704,680	$ 56,679,944	$ (8,024,736)	-12.4%	46	$ 62.47	$ 54.92	$ (7.55)	-12.1%
420	General	$ 29,883,409	$ 25,500,623	$ (4,382,785)	-14.7%	191	$ 219.58	$ 185.37	$ (34.21)	-15.6%
424	Large General	$ 3,367,059	$ 2,646,114	$ (720,944)	-21.4%	4,394	$ 3,460.53	$ 2,719.57	$ (740.96)	-21.4%
				$ -						
440	Interruptible	$ 2,223,720	$ 1,336,431	$ (887,289)	-39.9%	9,460	$ 5,490.44	$ 3,299.70	$ (2,190.75)	-39.9%
				$ -						
444	Seasonal	$ 212,084	$ 167,870	$ (44,214)	-20.8%	5,959	$ 4,820.00	$ 3,815.13	$ (1,004.87)	-20.8%

Below is a table showing the net impact to the Company's customers, by rate schedule, inclusive of all of the filings made by the Company on July 31, 2015:

Rate Schedule	Proposed Rate Change[5]
Schedule 410	(12.0)%
Schedule 420	(14.3)%
Schedule 424	(20.9)%
Schedule 440	(40.0)%
Schedule 444	(20.3)%
Schedule 456	(1.8)%

[4] On July 31, 2015, Avista filed to update effective November 1, 2015 Schedule 476 (Intervenor Funding Schedule - Advice No. 15-05-G), and Schedule 478 (DSM Cost Recovery - Advice No. 15-06-G). The net effect of all filings is a revenue reduction of $13.8 million or 13.3%.
[5] Includes filed rate changes to Schedules 461, 462, 476, and 478.

Included with this filing is the information in response to the Natural Gas Portfolio Development Guidelines and the PGA Filing Guidelines, as approved by the Commission in Order No. 09-248 and as amended in Order No. 10-197, Order No. 11-196 and Order No. 14-238. The Company will issue a media release coincident with this filing and provide notice to customers via a newspaper advertisement following the updated PGA filing in October.

Please direct any questions regarding this filing to Patrick Ehrbar at (509) 495-8620 or Annette Brandon at (509) 495-4324.

Sincerely,

Kelly Norwood

Kelly O. Norwood
Vice President, State and Federal Regulation

November 1, 2015
As of July 31, 2015
(As filed – these are not approved rate changes)

1	**Company**	**Avista**	
2	**Docket Numbers**	UG-XXX	
3	**Advice No.**	15-04-G	
4	**Principal Analysts**	Lisa Gorsuch	
5	**Current Customer Charge - Residential ($)**	$8.00	
6	**Average Monthly Therm Use (Residential)**	46	
7	**Current Energy Charge/Rate (dollars/therm)**	Billing - $1.01998 Base - $0.54073	
8	**PGA Base Gas Cost Change - Residential (dollars/therm)**	($0.13133)	Gas Cost Only – including revenue sensitive
9	**Other Temporary Rate Increments - Residential (dollars/therm)**	($0.01008) Demand ($0.02722) Amort	Demand, Amortization, including revenue sensitive
10	**Permanent Base Rate Adjustment – Residential (dollars/therm)**	$0.00	
11	**Overall Change - Residential Rate (dollars/therm)**	($0.16863)	Gas, Demand and Amortization
12	**Proposed Tariff Rate - Residential (dollars/therm)**	$1.01998	Including all filings (Gas and Non-gas) – See Attachment B in workpapers
13	**Average monthly bill change for typical residential customer ($/bill on an annual basis)**	($7.55)	Including all filings (Gas and Non-gas) – See Attachment D in workpapers
14	**Overall Change - Residential Revenue (%)**	(12.09%)	Including all filings (Gas and Non-gas) – See Attachment D in workpapers
15	**Overall Change – Commercial & Industrial firm (%)**	Commercial = (15.3%) Industrial = (21.2%)	Including all filings (Gas and Non-gas) – See Attachment D
16	**WACOG (dollars/therm) – not revenue-sensitized**	$0.27212	
	Comments – Other (continued)		

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that I have this day served Avista Utilities', a division of Avista Corp, 2015 Purchased Gas Cost Adjustment upon the parties listed below by mailing a copy thereof, postage prepaid and by electronic mail or CD.

Bob Jenks
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Portland, OR 97204-1136
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I declare under penalty of perjury that the foregoing is true and correct.

Dated at Spokane, Washington this 31st day of July, 2015.

Patrick Ehrbar
Manager, Rates & Tariffs

BEFORE THE
PUBLIC UTILITY COMMISSION OF OREGON

AVISTA UTILITIES

ADVICE NO. 15-04-G

Tariff Sheets

July 31, 2015

SCHEDULE 461

PURCHASED GAS COST ADJUSTMENT PROVISION – OREGON

APPLICABILITY:

This schedule applies to all schedules for natural gas sales service within the entire territory served by the Company in the State of Oregon. The definitions and provisions described herein shall establish the natural gas costs for Purchased Gas Adjustment (PGA) deferral purposes on a monthly basis.

PURPOSE:

The purpose of this provision is to allow the Company, on established Adjustment Dates, to adjust rate schedules for changes in the cost of gas purchased in accordance with the rate adjustment provisions described herein.

RATE:

(a) The rates of gas Schedules 410, 420, 424 and 444 are to be increased by $0.47928 per therm in all blocks of these rate schedules. (R)
(b) The rate of gas Schedule 440 is to be increased by $0.28022 per therm in all blocks of these rate schedules. (R)
(c) The rates of transportation Schedule 456 are to be increased by $0.0000 per therm in all blocks.

A. DEFINITIONS:

1. Actual Commodity Cost: The natural gas supply costs for commodity actually paid for the month, including Financial Transactions, fuel use, and distribution system lost and unaccounted for natural gas (LUFG) plus Gas Storage Facilities withdrawals, plus or minus the cost of gas associated with pipeline imbalances, plus propane costs, plus odorization charges, less Commodity Off-System Sales Revenues received during the month, plus actual Variable Transportation Costs, plus commodity-related reservation charges, less all transportation demand charges embedded in commodity costs.

2. Commodity Off-System Sales Revenues: Revenues received from the sale of natural gas to a party other than the Company's Oregon sales customers less costs associated with the sales transactions.

3. Variable Transportation Costs: Variable transportation costs, including pipeline volumetric charges and other variable costs related to volumes of commodity delivered to sales customers.

4. Actual Non-Commodity Cost: Actual Non-Commodity gas costs shall be equal to actual Demand Costs, less actual Capacity Release Benefits, plus or minus actual pipeline refunds or surcharges.

5. Demand Costs: Fixed monthly pipeline costs and other demand-related natural gas costs such as capacity reservation charges, plus any transportation demand charges embedded in commodity cost.

SCHEDULE 461 (continued)

PURCHASED GAS COST ADJUSTMENT PROVISION – OREGON

6. Capacity Release Benefits: This component includes revenues associated with pipeline capacity releases. The benefits to Customers, through the monthly PGA deferrals, shall be 100% of the capacity release revenues up to the full pipeline rate, and 80% of the capacity release revenues in excess of full pipeline rates. Capacity release revenues shall be quantified on a transaction-by-transaction basis.

7. Estimated Weighted Average Cost Of Gas (WACOG): The estimated WACOG is calculated by the following formula: (Forecasted Purchases at Adjusted Contract Prices) divided by forecasted sales.

a. "Forecasted Purchases" means November 1 – October 31 forecasted sales, plus a percentage for "Distribution System Unaccounted for Gas."
b. "Distribution System Unaccounted for Gas" means the 5-year average of actual unaccounted for gas, not to exceed 2%.
c. "Adjusted Contract Prices" means contract prices that are adjusted by each associated Canadian pipeline's published (closest to August 1) fuel-in-kind and line loss amount provided for by tariff, and by each associated U.S. pipeline's tariffed rate.

The Estimated WACOG per therm is as follows:

With Gross Revenue Factor	$0.28022	(R)
Without Gross Revenue Factor	$0.27212	(R)

8. Estimated Non-Commodity Cost per Therm: The estimated Non-Commodity Cost per therm shall be equal to estimated Demand Costs, less estimated Capacity Release Benefits, plus or minus estimated pipeline refunds or surcharges, divided by November 1 – October 31 forecasted sales.

The Estimated Non-Commodity Cost per therm is as follows:

With Gross Revenue Factor	$0.19906	(R)
Without Gross Revenue Factor	$0.19331	(R)

9. Forecasted Monthly Calendar Sales Volumes: Forecasted billed sales therms, adjusted for estimated unbilled therms, for Schedules 410, 420, 424, 440, and 444.

AVISTA CORPORATION
dba Avista Utilities

SCHEDULE 462

GAS COST RATE ADJUSTMENT – OREGON

APPLICABILITY:

This schedule applies to all schedules for natural gas sales service within the entire territory served by the Company in the State of Oregon.

PURPOSE:

The purpose of this provision is to allow the Company to pass through the differences between the actual cost of gas purchased and transported for customer usage and the amount collected from customers. These differences are accumulated in a sub-account of Account 191 for later refund or surcharge to customers.

RATE:

(a) The rates of gas Schedules 410, 420, 424 and 444 are to be decreased by $0.02849 per therm. (R)

(b) The rate of gas Schedule 440 is to be decreased by $0.04927 per therm. (C) (R)

AMORTIZATION OF ACCOUNT 191 SUB-ACCOUNT DEFERRALS:

The Account 191 sub-account deferred balances approved for surcharge or refund to customers shall include interest calculated on a monthly basis using the interest rate(s) approved by the Commission.

The surcharge or refund rate shall be adjusted annually as part of the annual Purchased Gas Adjustment (PGA) filing.

AMOUNT OF ADJUSTMENT:

The amount of adjustment to be made to customers' rates shall consist of the sum of the changes in the Embedded Commodity Cost and Non-Commodity Cost deferral accounts and the change in amortization rates of the Account 191 sub-accounts, as well as other gas cost related deferral accounts as the Commission may approve.

GENERAL RULES AND REGULATIONS:

This schedule is subject to the General Rules and Regulations contained in this tariff and to those prescribed by regulatory authorities. This schedule is an automatic adjustment clause (PGA) as described in ORS 757.210(1) and is subject to the customer notification requirements as described in OAR 860-022-0017.

Advice No. 15-04-G Effective For Service On & After
Issued July 31, 2015 November 1, 2015

Issued by Avista Utilities
By Kelly Norwood Kelly O. Norwood, V.P. State & Federal Regulation

BEFORE THE
PUBLIC UTILITY COMMISSION OF OREGON

AVISTA UTILITIES
ADVICE NO. 15-04-G

PRESS RELEASE
(DRAFT)

July 31, 2015

DRAFT

Contact:
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Investors: Jason Lang (509) 495-2930 jason.lang@avistacorp.com
Avista 24/7 Media Access (509) 495-4174

Avista Requests Natural Gas Rate Decrease for Oregon Customers in Annual Cost Adjustment Filing

Request reflects change in the wholesale cost of natural gas

SPOKANE, Wash. – July XX, 2015, 1:30 p.m. PDT: Avista's **(NYSE: AVA)** approximately 98,000 customers in Oregon could see an overall decrease of 13.3 percent in their natural gas rates effective Nov. 1, 2015, if the Public Utility Commission of Oregon (PUC) approves the company's annual Purchased Gas Cost Adjustment (PGA) and related filings made today.

If the requests are approved, Avista residential customers using an average of 46 therms a month could expect their bill to decrease by $7.55, or 12.1 percent, for a revised monthly bill of $54.92 beginning Nov. 1, 2015. Avista's natural gas revenues would decrease by $13.8 million to cover the decreased natural gas costs. The company does not mark up the cost of natural gas purchased to meet customer needs, so there is no impact on company earnings.

PGAs are filed each year to balance the actual cost of wholesale natural gas purchased by Avista to serve customers with the amount included in rates. This includes the natural gas commodity cost as well as the cost to transport natural gas on interstate pipelines to Avista's local distribution system. The primary driver for the company's requested decrease is a reduction in natural gas commodity costs due to a warmer than normal winter, an abundance of natural gas held in storage, and continued high production levels of natural gas.

In addition to the PGA request, Avista also proposed two smaller rate adjustments related to demand side management program funding and intervener funding.

About 40 percent of an Avista natural gas customer's bill is the combined cost of purchasing natural gas on the wholesale market and transporting it to Avista's system. These costs fluctuate up and down based on market prices. The costs are not marked up by Avista. The remaining 60 percent covers the cost of delivering the natural gas -- the equipment and people needed to provide safe and reliable service.

About Avista Corp.
Avista Corp. is an energy company involved in the production, transmission and distribution of energy as well as other energy-related businesses. Avista Utilities is our operating division that provides electric service to 369,000 customers and natural gas to 329,000 customers. Its service territory covers 30,000 square miles in eastern Washington, northern Idaho and parts of southern and eastern Oregon, with a population of 1.6 million. Alaska Energy and Resources

Company is an Avista subsidiary that provides retail electric service in the city and borough of Juneau, Alaska, through its subsidiary Alaska Electric Light and Power Company. Avista stock is traded under the ticker symbol "AVA." For more information about Avista, please visit www.avistacorp.com.

This news release contains forward-looking statements regarding the company's current expectations. Forward-looking statements are all statements other than historical facts. Such statements speak only as of the date of the news release and are subject to a variety of risks and uncertainties, many of which are beyond the company's control, which could cause actual results to differ materially from the expectations. These risks and uncertainties include, in addition to those discussed herein, all of the factors discussed in the company's Annual Report on Form 10-K for the year ended Dec. 31, 2014 and the Quarterly Report on Form 10-Q for the quarter ended March 31, 2015.

SOURCE: Avista Corporation

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