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September 9, 2016

**Advice No. 16-08-G Supplemental/ UG-314 (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).<sup>1</sup> The Company requests that the following tariff sheets become effective on November 1, 2016:

<b><u>Oregon PUC Sheet No.</u></b>	<b><u>Title of Sheet</u></b>	<b><u>Canceling Oregon PUC Sheet No.</u></b>
Supplemental Eleventh Revision Tariff Sheet 461	Purchased Gas Cost Adjustment Provision	Supplemental Tenth Revision Tariff Sheet 461
Supplemental Ninth Revision Tariff Sheet 461A	Purchased Gas Cost Adjustment Provision	Supplemental Eighth Revision Tariff Sheet 461A
Supplemental Sixth Revision Tariff Sheet 462	Gas Cost Rate Adjustment	Supplemental Fifth 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, 2016 through October 1, 2017). The difference between the actual cost of natural gas purchased and the amount collected from customers (i.e., the

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<sup>1</sup> The Company has enclosed a disk which contains confidential workpapers.

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**

<u>Rate Schedule</u>	<u>Present</u>	<u>Proposed</u>	<u>Change</u>
410, 420, 424, 444	\$0.27342	\$0.24529	<b>(\$0.02813)</b>
440	\$0.27342	\$0.24529	<b>(\$0.02813)</b>

**Table No. 2 - Schedule 461 Demand**

<u>Rate Schedule</u>	<u>Present</u>	<u>Proposed</u>	<u>Change</u>
410, 420, 424, 444	\$0.19906	\$0.19759	<b>(\$0.00147)</b>
440	\$0.00000	\$0.00000	<b>\$0.00000</b>

**Table No. 3 - Schedule 461 Commodity + Demand**

<u>Rate Schedule</u>	<u>Present</u>	<u>Proposed</u>	<u>Change</u>
410, 420, 424, 444	\$0.47248	\$0.44288	<b>(\$0.02960)</b>
440	\$0.27342	\$0.24529	<b>(\$0.02813)</b>

**Commodity Costs (Schedule 461)**

As shown in the Table No. 1 above, the proposed weighted average cost of gas ("WACOG") is 24.529 cents per therm, a reduction of 2.813 cents per therm from the present WACOG of 27.342 cents per therm included in customer's rates. The overall reduction in the WACOG is generally the result of the continued increase in natural gas supply coupled with an overall reduction in customer demand due to a warmer than normal winter of 2015-2016, resulting in lower wholesale natural gas prices. 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 2015-2016 for the forthcoming PGA year. Approximately 52% of estimated annual load requirements for the PGA year (November 2016 through October 2017) 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 August 31, 2016, the Company's executed hedge costs is \$2.505 per dekatherm (\$0.2505 per therm).

As required by Commission Order 14-238, the Company used a 60-day (ending August 31, 2016) 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 48% of estimated annual volumes and the annual weighted average price for these volumes is \$2.343 per dekatherm (\$0.2343 per therm).

In addition, the Company has included approximately \$0.5 million in reduced gas costs due to the optimization of the Jackson Prairie Storage Facility. In 2015, Avista developed and implemented a natural gas storage management tool for the purpose of capturing greater value for our customers through increased optimization of natural gas storage.<sup>2</sup> The improved flexibility and visibility provided by this tool has given the Company’s natural gas traders the ability to execute favorable price spread transactions for injections and withdrawals throughout the year.

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<sup>3</sup> 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 Company’s Risk Management Committee and provides updates to Commission Staff.

**Demand Costs (Schedule 461)**

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 relatively flat, with a proposed reduction of approximately 0.01 cents per therm.

**Amortization of Deferral Accounts (Schedule 462)**

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 and demand):

**Table No. 4 - Schedule 462 Commodity Amortization**

<u>Rate Schedule</u>	<u>Present</u>	<u>Proposed</u>	<u>Change</u>
410, 420, 424, 444	(\$0.04927)	(\$0.08273)	<b>(\$0.03346)</b>
440	(\$0.04927)	(\$0.08273)	<b>(\$0.03346)</b>

**Table No. 5 - Schedule 462 Demand Amortization**

<u>Rate Schedule</u>	<u>Present</u>	<u>Proposed</u>	<u>Change</u>
410, 420, 424, 444	\$0.02078	\$0.01251	<b>(\$0.00827)</b>
440	\$0.00000	\$0.00000	<b>\$0.00000</b>

**Table No. 6 - Schedule 462 Commodity + Demand Amortizations**

<u>Rate Schedule</u>	<u>Present</u>	<u>Proposed</u>	<u>Change</u>
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<sup>2</sup> The storage management tool is governed through programmed boundaries on injections and withdrawals that take into account the storage fill/deplete schedule, peak day load requirements, transportation capacity limits, and delivery constraints.

<sup>3</sup> The Northwest Industrial Gas Users (NWIGU) and Citizens’ Utility Board (CUB) are invited to, and attend, each Quarterly meeting.

410, 420, 424, 444	(\$0.02849)	(\$0.07022)	<b>(\$0.04173)</b>
440	(\$0.04927)	(\$0.08273)	<b>(\$0.03346)</b>

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 2015 PGA. Reduced commodity rates, combined with optimization benefits, resulted in an excess of revenue collected from customers compared to the Company’s costs. This created a rebate deferral balance of approximately \$6.9 million (including residual commodity amortization balance) or 8.3 cents per therm. With a present rebate amortization rate of approximately 4.9 cents per therm, the proposed change in the commodity portion of the amortization rate is approximately 3.3 cents per therm.

For the demand portion of the amortization rate, the deferral balance as of June 30, 2016 is a surcharge of approximately \$1.0 million (including the residual deferral amortization balance) or 1.2 cents per therm. This demand rate is relatively flat compared to the present rate of 0.08 cents per therm.

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 2015 was \$166,153,077 and Total Prior Period Gas Cost Deferral True-up is a rebate of \$5,932,808. Combined with the other filings subject to the three percent test made coincident with the PGA, total amortization is as follows:

Advice No. 16-08-G (PGA):	(\$5,932,808) Rebate
Advice No. 16-10-G (Residual Account):	(\$ 7,111) Rebate
Advice No. 16-11-G (DSM Recovery):	\$1,517,750 Surcharge
Advice No. 16-12-G (Senate Bill 408):	\$ <u>79,371</u> Surcharge
Total:	(\$4,342,798) Rebate

The net effect of combining the results of these filings is an amortization rebate balance of \$4,342,798. The resulting annual average rate impact from the PGA amortization is (2.6%) and falls within the requirements of the statute.<sup>4</sup>

**Other Information**

This filing reflects an overall annual revenue decrease of \$5.9 million, or 6.0% effective November 1, 2016.

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<sup>4</sup> Please see attachment C included in the Purchase Gas Adjustment workpapers.

Pursuant to OAR 860-022-0025 and OAR 860-022-0030, the total number of customers affected by the five filings with an effective date of November 1, 2016, and the annual revenue before and after the impact of the proposed rate changes, are as follows:

<u>Rate Schedule</u>	<u>Average Number of Customers</u>
Schedule 410	88,800
Schedule 420	11,590
Schedule 424	81
Schedule 440	36
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	\$ 63,090,463	\$ 59,608,913	\$ (3,481,550)	-5.5%	46	\$ 59.21	\$ 55.85	\$ (3.36)	-5.7%
420	General	\$ 28,455,892	\$ 26,557,326	\$ (1,898,566)	-6.7%	191	\$ 204.23	\$ 190.61	\$ (13.62)	-6.7%
424	Large General	\$ 2,445,093	\$ 2,169,952	\$ (275,141)	-11.3%	3,960	\$ 2,510.19	\$ 2,227.72	\$ (282.47)	-11.3%
440	Interruptible	\$ 1,426,177	\$ 1,168,171	\$ (258,006)	-18.1%	9,675	\$ 3,293.71	\$ 2,697.85	\$ (595.86)	-18.1%
444	Seasonal	\$ 171,014	\$ 152,210	\$ (18,803)	-11.0%	5,609	\$ 3,638.60	\$ 3,238.54	\$ (400.06)	-11.0%

After combining the impact of this PGA filing with the four other regulatory filings which also have a November 1, 2016<sup>5</sup>, a residential customer using an average of 46 therms a month could expect their bill to *decrease* by \$3.36, or 5.7 percent, for a revised monthly bill of \$55.85 effective November 1, 2016.

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 that have a November 1, 2016 effective date:

<u>Rate Schedule</u>	<u>Proposed Rate Change<sup>6</sup></u>
Schedule 410	(5.7)%
Schedule 420	(6.9)%
Schedule 424	(11.7)%
Schedule 440	(17.6)%
Schedule 444	(11.4)%
Schedule 456	1.8%

Included with the original 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

<sup>5</sup> On July 31, 2016, Avista filed to update effective November 1, 2016 Schedule 476 (Intervenor Funding Schedule - Advice No. 16-09-G), Schedule 477 (Residual Account - Advice No 16-10-G), Schedule 478 (DSM Cost Recovery - Advice No. 16-11-G), and Schedule 479 (Senate Bill 408 Advice no. 16-12-G). The net effect of all filings is a revenue reduction of \$7.4 million or 7.4%.

<sup>6</sup> Includes filed rate changes to Schedules 461, 462, 476, 477, 478, and 479.

will provide notice to customers via newspaper advertisement with this updated PGA filing. A media release was released coincident with the Company's initial filing in July 2016.

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

Sincerely,

A handwritten signature in black ink that reads "Kelly O. Norwood". The signature is written in a cursive, flowing style.

Kelly O. Norwood  
Vice President, State and Federal Regulation

**November 1, 2016**  
**As of September 9, 2016**  
**(As filed – these are not approved rate changes)**

<b>1</b>	<b>Company</b>	<b>Avista</b>	
<b>2</b>	<b>Docket Numbers</b>	UG-314	
<b>3</b>	<b>Advice No.</b>	16-08-G	
<b>4</b>	<b>Principal Analysts</b>	Lisa Gorsuch	
<b>5</b>	<b>Current Customer Charge - Residential (\$)</b>	\$9.00	
<b>6</b>	<b>Average Monthly Therm Use (Residential)</b>	46	
<b>7</b>	<b>Current Energy Charge/Rate (dollars/therm)</b>	Billing - \$1.09611 Base - \$0.58062	
<b>8</b>	<b>PGA Base Gas Cost Change - Residential (dollars/therm)</b>	(\$0.02813)	Commodity Only – including revenue sensitive
<b>9</b>	<b>Other Temporary Rate Increments - Residential (dollars/therm)</b>	(\$0.00147) Demand (\$0.04173) Amort	Demand, Amortization, including revenue sensitive
<b>10</b>	<b>Permanent Base Rate Adjustment – Residential (dollars/therm)</b>	\$0.00	
<b>11</b>	<b>Overall Change - Residential Rate (dollars/therm)</b>	(\$0.07133)	Gas, Demand and Amortization
<b>12</b>	<b>Proposed Tariff Rate - Residential (dollars/therm)</b>	\$1.02281	Including all filings (Gas and Non-gas) – See Attachment B in workpapers
<b>13</b>	<b>Average monthly bill change for typical residential customer (\$/bill on an annual basis)</b>	(\$3.36)	Including all filings (Gas and Non-gas) – See Attachment D in workpapers
<b>14</b>	<b>Overall Change - Residential Revenue (%)</b>	(6.7%)	Including all filings (Gas and Non-gas) – See Attachment D in workpapers
<b>15</b>	<b>Overall Change – Commercial &amp; Industrial firm (%)</b>	Commercial = (7.5%) Industrial = (11.9%)	Including all filings (Gas and Non-gas) – See Attachment D
<b>16</b>	<b>WACOG (dollars/therm) – not revenue-sensitized</b>	\$0.23771	
	<b>Comments – Other (continued)</b>		

## CERTIFICATE OF SERVICE

I HEREBY CERTIFY that I have this day served Avista Utilities', a division of Avista Corp, 2016 Purchased Gas Cost Adjustment upon the parties listed below by mailing a copy thereof, postage prepaid and by electronic mail or CD.

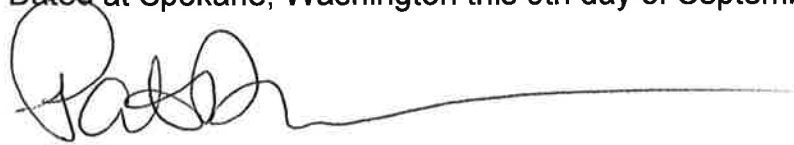
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I declare under penalty of perjury that the foregoing is true and correct.

Dated at Spokane, Washington this 9th day of September, 2016.



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Patrick Ehrbar  
Senior Manager, Rates & Tariffs



BEFORE THE  
PUBLIC UTILITY COMMISSION OF OREGON

AVISTA UTILITIES  
ADVICE NO. 16-08-G Supplemental

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**Tariff Sheets**

September 9, 2016

AVISTA CORPORATION  
dba Avista Utilities

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 \$0.44288 per therm in all blocks of these rate schedules. (R)
- (b) The rate of gas Schedule 440 is to be increased by \$0.24529 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.

Advice No. 16-08-G  
Issued September 9, 2016

Effective For Service On & After  
November 1, 2016

Issued by Avista Utilities  
By *Kelly Norwood*

Kelly O. Norwood, V.P. State & Federal Regulation

AVISTA CORPORATION  
dba Avista Utilities

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	\$0.24529	(R)
Without Gross Revenue Factor	\$0.23771	(R)

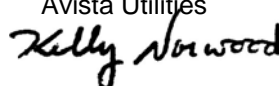
8. Estimated Non-Commodity Cost per Therm: The estimated Non-Commodity Cost per therm shall be equal to estimated Demand Costs, less estimated Capacity Release Benefits, plus or minus estimated pipeline refunds or surcharges, divided by November 1 – October 31 forecasted sales.

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

With Gross Revenue Factor	\$0.19759	(R)
Without Gross Revenue Factor	\$0.19148	(R)

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

Advice No.	16-08-G	Effective For Service On & After
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By  Kelly O. Norwood, V.P. State & Federal Regulation

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 \$0.07022 per therm. (R)
- (b) The rate of gas Schedule 440 is to be decreased by \$0.08273 per therm. (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.

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