

BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UG 168

In the Matter of)	
)	ORDER
AVISTA CORPORATION)	
)	
Revises the Annual Weighted Average Cost of)	
Gas (WACOG) included in Sales Rates and the)	
Monthly WACOGs used in the Calculation of)	
the Deferral Account Entries.)	

DISPOSITION: TARIFF SHEETS EFFECTIVE; WAIVER GRANTED

In reviewing its PGA filing dated September 16, 2005, Avista Corporation (Avista) identified and corrected several errors in the calculation of the rates reflected in the tariff sheets approved by the Public Utility Commission of Oregon (Commission), effective October 1, 2005. First, Avista corrected an error in the Annual Weighted Average Cost of Gas (WACOG) calculation. Second, Avista replaced weather normalized gas purchase volumes with weather normalized gas sales volumes in the corrected annual and monthly WACOG calculations. Third, Avista included in the corrected annual and monthly WACOG calculations variable transportation costs for the year. Fourth, in the corrected annual and monthly WACOG calculations, Avista adjusted the cost of gas volumes purchased at index to reflect a transportation pipeline line loss factor of approximately 2.6%. Finally, Avista removed a double counting of volumes from Glendale that was in the original calculations. In addition, Avista is also requesting a waiver of the customer notice requirement as provided under OAR 860-022-0017(6). Avista argues that an additional notice is unnecessary, due to the small increase in rates in the current filing, and would be confusing to customers. This filing increases the average monthly bill for residential customers by 10 cents. The basis for the current revisions is further detailed in Staff's recommendation memo, attached as Appendix A and incorporated by reference.

Staff has reviewed each of the corrections and the request for waiver of notice, and finds them reasonable. At its public meeting on November 8, 2005, the Commission adopted Staff's recommendation to allow the tariff sheets of Advice No. 05-04-G to become effective November 9, 2005 with less than statutory notice, and to approve Avista's request for waiver of OAR 860-022-0017(6).


ORDER

IT IS ORDERED that Avista Corporation's tariff sheets in Advice No. 05-04-G are effective as of November 9, 2005, and Avista's request for waiver of OAR 860-022-0017(6) is approved.

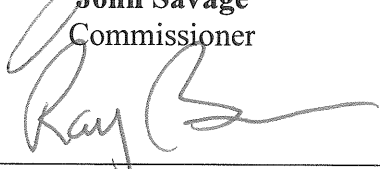
Made, entered and effective NOV 09 2005.



Lee Beyer JH
Chairman



John Savage
Commissioner



Ray Baum
Commissioner



A party may request rehearing or reconsideration of this order pursuant to ORS 756.561. A request for rehearing or reconsideration must be filed with the Commission within 60 days of the date of service of this order. The request must comply with the requirements of OAR 860-014-0095. A copy of any such request must also be served on each party to the proceeding as provided by OAR 860-013-0070(2). A party may appeal this order to a court pursuant to applicable law.

ITEM NO. 1

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: November 8, 2005**

REGULAR X CONSENT EFFECTIVE DATE November 9, 2005

DATE: November 1, 2005

TO: Public Utility Commission

FROM: Ken Zimmerman *KMZ*

THROUGH: *LS* Lee Sparling, *EB* Ed Busch, and *BT* Bonnie Tatom

SUBJECT: AVISTA UTILITIES: (Docket No. UG 168/Advice No. 05-04-G) Revises the annual weighted average cost of gas (WACOG) included in sales rates and the monthly WACOGs used in the calculation of the deferral account entries.

STAFF RECOMMENDATION:

I recommend the Commission allow Avista Utilities' (Avista or company) proposed tariff sheets in Advice No. 05-04-G to become effective with service on and after November 9, 2005 with less than statutory notice (L.S.N.). I also recommend the Commission waive the customer notice requirement as provided under OAR 860-022-0017(6), as requested by Avista.

DISCUSSION:

In reviewing its PGA filing dated September 16, 2005, Avista identified several additional errors in the calculation of the rates reflected in the tariff sheets approved by the Commission, effective October 1, 2005. These errors relate to the monthly and annual WACOGs. The monthly WACOGs on Schedule 462 are understated by one to two cents per therm each month (ranging from a low of \$0.01009/therm in June 2006 to a high of \$0.02053/therm in May 2006). The annual WACOG included in the approved tariffs was also incorrect. The annual WACOG was understated by approximately 1.8 cents (\$0.01812) per therm (revenue sensitized), compared to the annual WACOG included in Avista's September 16, 2005 PGA filing (\$0.79768). However, the calculation by Avista of the WACOG included in its September 16th filing was also in error. The annual WACOG that should have been in the September 16th filing is \$0.81381. However, this error had no effect on Avista's PGA billing rate. The difference between the \$0.81381 and the \$0.81580 WACOG now proposed by Avista is

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\$0.00198/therm. It is this \$0.00198/therm increase Avista seeks approval for in this filing.

The overall effect of these errors is that the sales rates reflected in the tariffs approved by the Commission, effective October 1, 2005, was understated by 0.198 cents per therm. The corrected sales service tariff sheets filed by Avista reflect this increase. The proposed increase in sales service rates results in Avista receiving approximately \$180,000 of additional annual revenue in Oregon, an increase of 0.14%. The average monthly bill for a residential customer on the Avista system will increase by 10 cents as a result of this change. On the other hand, this increase now will reduce deferred gas costs over the upcoming PGA year (October 2005 – September 2006).

Avista corrects several errors in this filing. First, as noted above, Avista corrects the original error in the annual WACOG calculation from its September 16, 2005 PGA filing. Second, the company replaces weather normalized gas purchase volumes with weather normalized actual gas sales volumes (July 2004 – June 2005) in the corrected annual and monthly WACOG calculations. Third, Avista includes in the corrected WACOG calculations, variable transportation costs totaling \$291,475 for the year that were omitted in the original WACOG calculations. Fourth, in the corrected WACOG calculations, Avista adjusts the cost of gas volumes purchased at index to reflect a transportation pipeline line loss factor of approximately 2.6%. Finally, Avista removed a double counting of volumes from Glendale that was in its original calculations. With the exception of the first error corrected by the company, none of these errors were detectable based on the workpapers submitted by the company with its August 15, 2005 and September 16, 2005 PGA filings. In addition, the first error was related solely to WACOG and did not affect Avista's PGA billing rate approved by the Commission, effective October 1, 2005. Staff has reviewed each of these corrections and finds them reasonable. Also, Staff concurs with Avista's conclusions regarding the rate impact of these corrections on each of the tariff sheets submitted by Avista.

Avista is also requesting a waiver of the customer notice requirement as provided under OAR 860-022-0017(6). Avista provided two prior bill insert notices to customers about the 2005 PGA filing since August 15th. The first was provided with the original Avista PGA filing on August 15, 2005. The second was provided with Avista's amended PGA filing made on September 16, 2005, explaining the differences between the original and amended filings. Avista argues that an additional notice is unnecessary, due to the small increase in rates in the current filing, and would be confusing to customers. Staff concurs with Avista's position on an additional notice to customers for this filing.

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PROPOSED COMMISSION MOTION:

Avista Utilities' proposed tariff sheets in Advice No. 05-04-G be allowed to go into effect on November 9, 2005, and the L.S.N. and the company's request for waiver of OAR 860-022-0017(6) be approved.

Avista Advice No. 05-04-G-PMM.doc