

BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UG 162

In the Matter of)	
)	
AVISTA UTILITIES)	ORDER
)	
Implements a new Purchased Gas Cost)	
Adjustment Schedule effective April 1)	
through September 30, 2005, and requests a)	
waiver of the 2005 PGA earnings review.)	

**DISPOSITION: WAIVER GRANTED; TARIFF REVISIONS
EFFECTIVE**

On February 18, 2005, Avista Utilities (Avista) filed a proposed new Schedule 463, Purchased Gas Cost Adjustment (PGA) Provision, in Advice No. 05-01-G with the Public Utility Commission of Oregon (Commission). Schedule 463 is a temporary PGA mechanism proposed to be in effect for the six-month period April 1, 2005, through September 30, 2005. A description of the filing is found in Staff's Report, attached as Appendix A, and incorporated by reference.

On March 8, 2005, Avista submitted a request to waive the 2005 PGA earnings review requirement in OAR 860-022-0070 related to gas cost deferrals through the remainder of the current PGA year, April 1 through September 30, 2005.

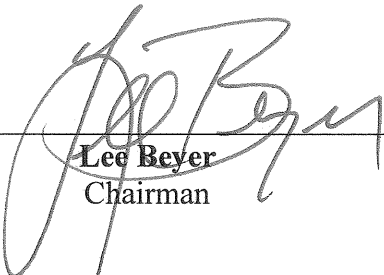
At its public meeting on March 22, 2005, the Commission adopted Staff's recommendation to allow the tariff revisions of Advice No. 05-01-G to become effective with service on April 1, 2005, and approved Avista's request to waive the 2005 PGA earnings review.

ORDER

IT IS ORDERED that:

1. Avista Utilities' request for a waiver of OAR 860-022-0070 is granted.
2. Avista Utilities' tariff revisions in Advice No. 05-01-G are effective as of April 1, 2005.

Made, entered, and effective MAR 28 2005.



Lee Beyer
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 in 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.

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: March 22, 2005**

REGULAR _____ **CONSENT** X **EFFECTIVE DATE** April 1, 2005

DATE: March 10, 2005

TO: Public Utility Commission

FROM: Lynn Kittilson

THROUGH: Lee Sparling, Ed Busch, and Bonnie Tatom

SUBJECT: AVISTA UTILITIES: (Docket No. UG 162/Advice No. 05-01-G) Implements a new Purchased Gas Cost Adjustment (PGA) Schedule effective April 1, 2005, through September 30, 2005, and requests a waiver of the 2005 PGA earnings review.

STAFF RECOMMENDATION:

I recommend the Commission allow the tariff revisions filed in Avista Utilities' (Avista or company) Advice No. 05-01-G to go into effect with service on April 1, 2005, and approve the company's request to waive the 2005 PGA earnings review.

DISCUSSION:

On February 18, 2005, Avista filed a proposed new Schedule 463, Purchased Gas Cost Adjustment Provision - Oregon, in Advice No. 05-01-G. Schedule 463 is a temporary purchased gas cost adjustment (PGA) mechanism proposed to be in effect for the six-month period April 1, 2005, through September 30, 2005.

Avista's current PGA mechanism provided on Schedule 464, Natural Gas Benchmark Mechanism – Oregon, will expire on March 31, 2005, which is in the middle of a PGA review period (October 1, 2004, through September 30, 2005). Beginning on April 1, 2005, responsibilities for purchasing the company's gas supplies will transfer from Avista Energy (an affiliate) to Avista Utilities. Due to the mid-period expiration of Schedule 464, the transfer of gas purchasing back to the utility, and the Commission's current investigation of the natural gas utilities' purchasing strategies, Avista is proposing the temporary Schedule 463 PGA mechanism for deferring gas costs during the six-month period April through September 2005. During this

period, Avista will defer 100% of the difference between the cost of gas embedded in the company's rates and the actual cost of gas acquired to serve customers. The embedded cost of gas was approved by the Commission in Avista's last PGA filing effective October 1, 2004.

Avista's tariff filing also includes a minor revision to Schedule 465, which is a prior PGA mechanism that has not been applicable during the time the Schedule 464 Benchmark Mechanism has been in effect. The filing adds language to Schedule 465 that it will not be applicable while the Schedule 463 Purchased Gas Cost Provision is in effect. Avista found it to be more efficient to file the proposed temporary PGA mechanism in a new Schedule 463 for the April through September 2005 period than to revise Schedule 465. The proposed definitions and provisions in Schedule 463 are more similar to those in the current Schedule 464 Benchmark Mechanism than to those in Schedule 465. Schedule 465 may be modified during the next six months to include the revised permanent PGA mechanism that will go into effect October 1, 2005.

On March 8, 2005, Avista submitted a request to waive the 2005 PGA earnings review required by Oregon Administrative Rule (OAR) 860-022-0070 related to gas cost deferrals through the remainder of the current PGA year (April 1 through September 30, 2005). The request was docketed as UG 162. The Commission waived the PGA earnings review during the effective period of the Schedule 464 Benchmark Mechanism, which ends on March 31, 2005. Avista believes issues will arise if an earnings review is required for the remaining six months of the current PGA year. The issues relate to the company operating under two different mechanisms during the 2004/2005 PGA period, including the determination of the level of gas cost deferrals subject to the 2005 earnings review.

I have reviewed the proposed temporary Schedule 463 PGA mechanism and the revision to Schedule 465 included in Avista's Advice No. 05-01-G. I believe the proposed tariff revisions are reasonable and should be allowed to go into effect. Staff also agrees with Avista that waiving the 2005 PGA earnings review for the six months the Schedule 463 PGA mechanism will be in effect is appropriate.

PROPOSED COMMISSION MOTION:

The tariff revisions filed in Avista's Advice No. 05-01-G be allowed to go into effect with service on April 1, 2005, and Avista's request to waive the 2005 PGA earnings review be approved.