

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: March 16, 2004**

REGULAR _____ **CONSENT** X **EFFECTIVE DATE** April 1, 2004

DATE: March 4, 2004

TO: Lee Sparling through Ed Busch and Bonnie Tatom

FROM: Reed Harris

SUBJECT: AVISTA UTILITIES: (Advice No. 04-02-G) Reflects changes in the cost of purchased gas in compliance with Order No. 03-570, the company's general rate case in Docket UG 153.

STAFF RECOMMENDATION:

I recommend the Commission allow the tariff sheets in Avista Advice No. 04-02-G to become effective with service on and after April 1, 2004.

DISCUSSION:

On September 25, 2003, in Order No. 03-570, the Commission adopted the stipulations in Avista Corporation's (Avista or company) Application for a General Rate Case, docketed as UG 153. At that time, the increase in Avista's general rate case coincided with the annual Purchased Gas Adjustment (PGA) on October 1, 2003, to create a combined increase of approximately 31 percent for residential customers receiving service under Rate Schedule 410.

To mitigate the immediate impact on the company's customers at the beginning of the heating season¹, Avista agreed to limit the overall impact of the combined PGA and general rate change on October 1, 2003, to 25 percent. The Parties in UG 153 further stipulated that Avista would file an out-of-period PGA request to incorporate the remaining weighted average cost of gas (WACOG) increase that would otherwise have been implemented on October 1, 2003, into customer rates effective March 1, 2004. At the same time, the additional gas cost deferrals resulting from the reduction in the WACOG would also be amortized over a twelve-month period and incorporated into the out-of-period PGA.

¹ The heating season is typically defined as the period November 1 to March 31.

On February 13, 2004, Administrative Law Judge Kathryn A. Logan issued an ALJ Ruling in response to a joint motion filed by the Parties requesting a change in the effective date of the company's PGA from March 1, 2004 to April 1, 2004. The ALJ Ruling allows Avista to file the PGA with an April 1, 2004, effective date. Subsequently, the company agreed to extend implementation of the out-of-period PGA until April 1, 2004, the end of the traditional heating season, and filed Advice No. 04-02-G on February 27, 2004.

In Advice No. 04-02-G, the company requests a per therm increase of \$0.04367 to the WACOG. This is the amount of the previous reduction in the WACOG to mitigate the rate increases of October 1, 2003. The \$2,102,757 amount to be amortized results in an increase of \$0.02610 per therm. When combined with the adjusted WACOG, the total increase to the company's sales service customers is \$0.06977 per therm.

This filing will increase Avista's overall revenues by 7.34 percent, or approximately \$5.8 million. The average increases, by customer class are:

Residential (Schedule 410)	7.13 percent
General (Schedule 420)	8.39 percent
Large General (Schedule 424)	9.08 percent
Emergency Institutional (Schedule 430)	8.68 percent
Interruptible (Schedule 440)	12.22 percent
Seasonal (Schedule 444)	9.33 percent

The typical residential customer using an average of 55 therms per month would see an increase in their average monthly bill of \$3.84, from \$53.83 to \$57.67. The actual percentage of increase will vary among the company's customers, depending upon consumption.

In addition to the PGA-related tariffs, this filing also includes a housekeeping revision to the company's Schedule 493, Residential Low Income Rate Assistance Program (LIRAP) – Oregon. The Third Revision of Sheet 493 corrects a typographical error, which had included both a dollar sign (\$) and a cents sign (¢) in the same number.

PROPOSED COMMISSION MOTION:

Avista's Advice No. 04-02-G be allowed to become effective with service on and after April 1, 2004.