DECISION MEMORANDUM

TO: COMMISSIONER KJELLANDER
COMMISSIONER SMITH
COMMISSIONER HANSEN
COMMISSION SECRETARY
COMMISSION STAFF
LEGAL

FROM: DONOVAN E. WALKER

DATE: SEPTEMBER 29, 2006

SUBJECT: AVISTA'S 2006 PURCHASED GAS COST ADJUSTMENT (PGA),
CASE NO. AVU-G-06-03

On September 29, 2006, Avista Utilities filed a revised PGA Application and tariff sheets with the Commission. The substitute filing is to revise the Company's proposed weighted average cost of gas (WACOG) to reflect a further reduction in wholesale natural gas prices.

If the revised Application and tariff sheets are approved as filed, the Company's estimated annual natural gas revenue will decrease by approximately $2.8 million (3.4%). According to the revised Application, this reflects an approximate $1.8 million decrease in the projected WACOG, and an approximate $1.0 million decrease in the amortization rate related to the balance of deferred gas costs. The revised Application states that the average residential customer using 65 therms per month would see a decrease in their monthly bill of approximately $2.70 (3.4%). The Company proposes an effective date for the decrease in rates of November 1, 2006.

COMMISSION DECISION

On September 25, 2006, the Commission authorized the use of Modified Procedure to process the Company's PGA Application. Because the original Application sought an increase to Company revenue of approximately 3.2%, the Commission found that Staff should conduct a public workshop, pursuant to Rule 125, and reserved the right to schedule public hearings, should it determine they are necessary.

Given the revised PGA Application filed by the Company that now seeks a 3.4% decrease rather than the 3.2% increase: Does the Commission continue to find that this proceeding may be processed by Modified Procedure? Does the Commission wish to direct Staff to conduct a Public Workshop, pursuant to Rule 125, prior to Staff filing comments in this case? Does the Commission wish to reserve the right to schedule Public Hearings, should it determine they are necessary at a future date?

Donovan E. Walker