



PGA Video featuring Kevin Christie

Transcript

What goes into the rate I pay for natural gas?

If you're a residential customer, about 75 percent of your natural gas bill is the actual cost of the gas and pipeline transportation. This is the same cost we pay in the wholesale market - the cost is simply passed through to you with no mark-up. You pay what we pay. The remaining 25 percent of your bill covers our cost of providing service through our distribution system. We work hard to keep both parts of your gas bill as low as possible.

Why has the cost of natural gas gone down?

Since last summer, natural gas prices have fallen significantly -- for two reasons. First, demand is lower because of the economy. Secondly, supplies have gone up due to successful exploration programs in various parts of the country. One thing about the natural gas market is that it's volatile. Prices go up and down and we've seen some wild swings. We obviously don't control the wholesale cost of gas but we do have natural gas purchasing strategies in place that take into account the volatility of the market.

Why are you announcing this decrease now?

Usually, we make rate adjustments like this in the fall of each year. This year we've already had one decrease in January and we are proposing this additional decrease now because we've been listening to our customers. We know that a lot of people are struggling with expenses in this economy. And so we wanted to provide these reductions as soon as possible, rather than waiting until the scheduled adjustment this fall. And one other point - we are now purchasing natural gas for the next heating season. We hope to be able to file for a third decrease this fall, provided wholesale prices don't rise substantially by then.

How does Avista buy natural gas?

Purchasing natural gas for customers and managing our gas supply is a complicated and dynamic process. As a customer, you expect a reliable supply of natural gas at a reasonable price. Here's how we meet that expectation. We purchase gas periodically throughout the year with price being a primary consideration. We buy enough gas this way to meet about two-thirds of what our customers will use throughout the winter. The remaining gas is purchased as it is needed to meet your needs. If prices are favorable, we may also purchase gas at a fixed price for several years in the future. We did that earlier this year. This approach allows us the flexibility to take advantage of favorable wholesale prices and still provide a level of price stability to customers. Our goal is to deliver value for our customers. And our purchasing strategy is one way we do that.