Office of the Secretary
Service Date
October 28, 2020

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF AVISTA CORPORATION'S APPLICATION TO CHANGE ITS NATURAL GAS RATES AND CHARGES (2020 PURCHASED GAS COST ADJUSTMENT)	))))))	**CASE NO. AVU-G-20-04** **ORDER NO. 34825**

On June 30, 2020, Avista Corporation dba Avista Utilities ("Avista") filed its annual Purchased Gas Cost Adjustment ("PGA") Application. The PGA is a Commission-approved mechanism that adjusts rates up or down to reflect changes in Avista's costs to buy natural gas from suppliers—including changes in transportation, storage, and other related costs. Avista defers these costs into its PGA account, and then passes them on to customers through an increase or decrease in rates.

Avista's proposal will increase rates for an average residential or small commercial customer by $0.31 per month (0.6%). Avista asked that the new rates take effect November 1, 2020.

On July 20, 2020, the Commission issued a Notice of Application and Modified Procedure, setting an October 6, 2020 comment deadline and an October 13, 2020 reply comment deadline. The Commission also set an August 7, 2020 intervention deadline. No persons intervened. Commission Staff filed the only comments, and Avista did not file reply comments. No customer comments were received.

Now, based on the record, the Commission approves the Application as set forth below.

THE APPLICATION

A. Overview of Proposed Rates

Avista distributes natural gas in northern Idaho, eastern and central Washington, and southwestern and northeastern Oregon. Avista buys natural gas and then transports it through pipelines for delivery to customers. In this PGA Application, Avista proposed to: (1) pass any change in the estimated cost of natural gas for the next 12 months to customers (Tariff Schedule 150); and (2) revise the amortization rates to refund or collect the balance of deferred gas costs (Tariff Schedule 155). Avista proposed to change its PGA rates for its customer classes as follows:

Service	Schedule No.	Commodity Change per Therm (a)	Demand Change per Therm (b)	Total Sch. 150 Change (c=a+b)	Amortization Change per Therm (d)	Total Rate Change per Therm (e=c+d)	**Overall Percent Change**
General	101	$0.00955	$(0.00345)	$0.00610	$(0.00129)	$0.00481	**0.7%**
Lg. General	111	$0.00955	$(0.00345)	$0.00610	$(0.00129)	$0.00481	**0.7%**
Lg. General	112	$0.00955	$(0.00345)	$0.00610	$ -	$0.00610	**0.8%**
Interruptible	131	$0.00955	$ -	$0.00955	$ -	$0.00955	**2.5%**
Transportation	146	$ -	$ -	$ -	$ -	$ -	**0.0%**

Application at 3. Avista's proposed changes to Schedules 150 and 155 and Avista's rates are further explained below.

B. Schedule 150

The Tariff Schedule 150 portion of the PGA has two parts: the "commodity costs" and the "demand costs." Avista's "commodity costs" are the variable costs at which Avista must buy natural gas. The weighted average cost of gas ("WACOG") is an estimate of those costs. Avista estimated its commodity costs will *increase* by $0.00955 per therm, from the currently approved $0.15328 per therm. To minimize exposure to potential rising gas costs, Avista diversifies how it procures natural gas. Avista's procurement strategy includes hedging and estimating the cost of index purchases using a 30-day historical average of forward prices.

Avista's "demand costs" are its fixed-capacity costs for interstate transportation and underground storage. The demand costs primarily are costs to transport gas on interstate pipelines to Avista's local distribution system. Avista proposed a $0.00345 per therm *decrease* in the overall demand rate for customers on Schedules 101, 111, and 112. This reduction is caused by factors including the Canadian exchange rate, an updated demand forecast, and new rates for Avista's Canadian pipelines.

C. Schedule 155

Tariff Schedule 155 reflects the amortization of Avista's deferral account. In its Application, Avista proposed to decrease the amortization rate for general and large general service customers by $0.00129 per therm. To put it another way, general and large general service customers will receive a $0.00129 per therm increase to their current rebate under this schedule.

If Avista's Application is approved as filed, Avista's annual revenue will increase by $0.4 million (0.7%). Avista asserted in its Application that it would notify customers of its proposed tariffs by posting notice at each of its Idaho district offices, and through a press release. Also, Avista sent notice to each customer as a bill insert during the July 2020 timeframe.

STAFF COMMENTS

Staff reviewed Avista's Application and accompanying submissions and supports Avista's request. To assess the reasonableness of the proposed changes, Staff examined Avista's gas purchases for the year, its fixed price hedges, pipeline transportation and storage costs, and estimates of future commodity prices. Staff reviewed Avista's jurisdictional allocations and the reasonableness of its Lost and Unaccounted for Gas volumes. Staff also verified that Avista's filing will not change Avista's earnings, and confirmed the proposed changes to Schedules 150 and 155 accurately capture Avista's demand and commodity costs.

Staff recommended the Commission a) approve Avista's proposed Tariff Schedules 150 and 155, and b) direct Avista to continue filing quarterly WACOG reports and monthly deferred cost reports with the Commission on an ongoing basis.

COMMISSION FINDINGS AND DECISION

The Commission has reviewed the record, including the Application and comments. Avista is a gas corporation and public utility, and the Commission has jurisdiction over it and the issues in this case under Title 61 of the Idaho Code, and more specifically, *Idaho Code* §§ 61-117, 61-129, 61-307, 61-501, and 61-502. The Commission must establish just, reasonable, and sufficient rates for utilities subject to its jurisdiction. *Idaho Code* § 61-502.

Based on our review of the record, we find Avista's proposed commodity cost and demand cost rates in Schedule 150 reasonably capture Avista's costs. We thus find it fair, just, and reasonable to approve Avista's proposed Schedule 150. We approve Avista's proposed WACOG of $0.16283 per therm, a 6.2% increase from the currently approved WACOG. We recognize that the cost of gas has stabilized after many years of steady decline, resulting in this increase.

We further find the proposed $0.00129 per therm amortization rate decrease for general and large general service customers is fair, just, and reasonable. Therefore, we approve Avista's proposed Schedule 155.

We also find that quarterly WACOG reports and monthly deferred cost reports provide useful information and assist Staff with determining whether to audit earlier than planned, and whether an interim filing might be needed.

ORDER

IT IS HEREBY ORDERED that Avista's Application to change its natural gas rates and charges is approved. Avista's proposed Tariff Schedules 150 and 155 are approved as filed, effective November 1, 2020.

IT IS FURTHER ORDERED that Avista continue filing quarterly WACOG reports and monthly deferred cost reports on an ongoing basis.

THIS IS A FINAL ORDER. Any person interested in this Order may petition for reconsideration within twenty-one (21) days of the service date of this Order. Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. See *Idaho Code* §§ 61-626 and 62-619.

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 28th day of October 2020.

Paul Kjellander

PAUL KJELLANDER, PRESIDENT

Kristine Raper

KRISTINE RAPER, COMMISSIONER

Eric Anderson

ERIC ANDERSON, COMMISSIONER

ATTEST:

Jan Noriyuki

Jan Noriyuki
Commission Secretary

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