Office of the Secretary
Service Date
August 31, 2021

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF AVISTA UTILITIES FOR AN ORDER APPROVING A CHANGE IN RATES FOR PURCHASED GAS COSTS AND AMORTIZATION OF GAS-RELATED DEFERRAL BALANCES	)))))))	**CASE NO. AVU-G-21-04** **ORDER NO. 35151**

On July 2, 2021, Avista Corporation dba Avista Utilities ("Company") filed its annual Purchased Gas Cost Adjustment ("PGA") Application ("Application"). The PGA is a Commission-approved mechanism that adjusts rates up or down to reflect changes in the Company's costs to buy natural gas from suppliers—including changes in transportation, storage, and other related costs. The Company defers these costs into its PGA account and then passes them on to customers through an increase or decrease in rates.

The Company represented if the Application is approved as filed, the Company's annual revenue will increase by approximately $9.0 million or about 13.5%. The Company requested a September 1, 2021, effective date. Concurrently with the PGA the Company applied for a change in natural gas rates to rebate certain deferred credit balances which if approved could mitigate the impacts of this PGA Application on customers. *See* Case No. AVU-G-21-03.

On July 27, 2021, the Commission issued a Notice of Application, Notice of Modified Procedure and Order setting comment deadlines for interested persons and a reply comment deadline for the Company. *See* Order No. 35116. The Commission Staff ("Staff") filed comments on August 17, 2021, and was the only party to do so. The Company did not file reply comments. The Commission received four public comments all opposing the Company's Application.

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

THE APPLICATION

A. Overview of Proposed Rates

The Company is a public utility that distributes natural gas in northern Idaho, eastern and central Washington, and southwestern and northeastern Oregon. The Company buys natural gas and then transports it through pipelines for delivery to customers. In this PGA Application, the Company proposed to (1) pass-through changes in the estimated cost of natural gas for September 2021 through October 2022 to customers (Schedule 150); and (2) revise the amortization rate(s) to collect the balance of deferred natural gas costs (Schedule 155). *Application* at 2-3. The Company proposed to change its PGA rates for its customer classes as follows:

Service	Schedule No.	Commodity Change per Therm	Demand Change per Therm	Total Sch. 150 Change	Amortization Change per Therm	Total Rate Change per Therm
General	101	$0.04022	$0.00238	$0.04260	$0.05259	$0.09519
Lg. General	111	$0.04022	$0.00238	$0.04260	$0.05259	$0.09519
Lg. General	112	$0.04022	$0.00238	$0.04260	$ -	$0.04260
Interruptible	131	$0.04022	$ -	$0.04022	$ -	$0.04022
Transportation	146	$ -	$ -	$ -	$ -	$ -

Id. at 3. The Company asserted it filed the PGA Application earlier than the typical August-September timeframe to limit the bill impact to customers from the accumulated deferral and amortization surcharge balances that have increased due to rising natural gas costs in recent months. *Id.* at 3. Further, the Company applied to refund deferred credit balances associated with depreciation expense, Allowance for Funds Used During Construction ("AFUDC"), and the Coronavirus Aid, Relief, and Economic Security ("CARES") Act benefits that would decrease natural gas revenues by approximately $1.9 million or 2.9% effective September 1, 2021. *Id., see also* Case No. AVU-G-21-03. The Company represents that if the PGA Application and the Company's Application in Case No. AVU-G-21-03 are approved the net change to natural gas revenue would be an increase of approximately $7.1 million or 10.6% effective September 1, 2021. *Id*.

The Company asserted that notice of the Application was provided to customers by 1) posting a notice at each of the Company's district offices in Idaho; 2) press release; 3) customer notice mailed to customers in their monthly bills. *Id.* at 2.

B. Schedule 150

The Schedule 150 portion of the PGA has two parts: the "commodity costs" and the "demand costs." The Company's "commodity costs" are the variable costs at which the Company must buy natural gas. The weighted average cost of gas ("WACOG") is an estimate of those costs. The Company estimated its commodity costs will *increase* by $0.04022 per therm, raising the proposed WACOG to $0.20305 per therm compared to the present WACOG of $0.16283 per therm in rates. *Id*. The Company asserted the market factors attributing to the rise in prices is an overall increase in demand and lower supply. *Id*. The Company alleged the main driver in demand has been record exports to Mexico, elevated LNG exports, and increased use for power generation. *Id*. On the supply side, the Company asserted production has been slow to ramp up to pre-pandemic levels and storage levels are well below where they were at this time last year. *Id*. Further, the current forecasted end-of-season level is significantly below last year's level. *Id.*

The Company'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 the Company's local distribution system. The Company proposed a $0.00238 per therm *increase* in the overall demand rate to $0.09243 per therm compared to the present demand rate of $0.09005 per therm in rates for customers on Schedules 101, 111, and 112. *Id*. at 4. The Company asserted this proposed increase is caused by factors including the Canadian exchange rate, an updated demand forecast, and new rates for the Company's Canadian pipelines effective June 1, 2021. *Id*.

C. Schedule 155

Schedule 155 reflects the amortization of the Company's deferral account. In its Application, the Company proposed to increase the amortization rate for general and large general service customers by $0.05259 per therm. *Id*. at 4. The Company stated the current rate applicable to Schedule 101 and Schedule 111 is $0.03754 per therm in the rebate direction; the proposed rate is $0.01505 per therm in the surcharge direction. *Id*.

The Company stated that in the 2020 PGA filing, the Company forecast a total amortization rebate to customers of approximately $3.4 million effective November 1, 2020. *Id*. The Company represented that its forecast did not materialize, resulting in an actual amortization surcharge balance of $0.7 million as of November 1, 2020. *Id*. The Company stated that from November 1, 2020, to May 31, 2021, the surcharge balance grew to $3.5 million as customers have been receiving a rebate amortization rate. *Id*. In the PGA Application, the Company used the deferral and amortization balances as of May 2021. *Id*. The Company asserted the result is a surcharge amortization rate to collect approximately $4.4 million from customers. *Id.* The Company stated that to reduce the impact on customer bills, the Company has proposed an amortization period of 38 months, instead of the normal 12-month period. *Id*. The Company represented it would re-evaluate the amortization period during the next PGA filing and adjust if deemed appropriate. *Id*.

The Company stated that if the Application is approved as filed, the Company's annual revenue will increase by approximately $9.0 million or about 13.5% effective September 1, 2021. The Company asserted that residential or small commercial customers using an average of 63 therms per month would see their monthly bills increase from $49.49 to $55.49, an increase of 12.1%.[1] *Id*. at 5.

COMMENTS

A. Staff Comments

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

Staff recommended the Commission a) approve the Company's proposed Schedules 150 and 155, and b) direct the Company to continue filing quarterly WACOG reports and monthly deferred cost reports with the Commission on an ongoing basis. Staff also recommended that the Commission accept late-filed comments from customers.

B. Customer Comments

Customers filed four written comments all opposing the Company's Application. Customers pointed to the difficulties such a proposed rate increase has on those on fixed incomes. Customers also questioned whether the proposed rate increase in this case is being used to cover expenses that may have arisen from the Company's pending general rate case. *See* Case No. AVU-G-21-01.

COMMISSION FINDINGS AND DECISION

The Commission has reviewed the record, including the Application and comments. The Company is a gas corporation and public utility, and the Commission has jurisdiction over it

[1] This is before accounting for any rate mitigation impacts that could result from regulatory approval of the Company's Application to refund deferred credit balances. *See* Case No. AVU-G-21-03.

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. The PGA mechanism is used to adjust rates to reflect annual changes in the Company's costs for the purchase of natural gas from suppliers — including transportation, storage, and other related costs. The Company's earnings are not to be increased from changes in prices and revenues resulting from the PGA. The PGA mechanism passes through prudently incurred commodity costs in a timely fashion.

Based on our review of the record, we find the Company's proposed commodity cost and demand cost rates in Schedule 150 reasonably capture the Company's costs. We thus find it fair, just, and reasonable to approve the Company's proposed Schedule 150, including the proposed WACOG of $0.20305 per therm. This is an increase from the current approved WACOG of $0.16238 per therm. We further find the proposed $0.01505 per therm amortization rate for general and large general service customers is fair, just, and reasonable. Therefore, we approve the Company's proposed Schedule 155. As always, we expect the Company to promptly apply to amend its WACOG if gas prices materially deviate from the WACOG approved in this Order.

Due to the rate increases arising from the Company's approved PGA Application, the Commission finds merit in the Company's efforts to mitigate the impacts arising therefrom. The Company's decision to file the PGA Application with a shortened deferral period will help mitigate the increasing deferral balance and aligns with the proposed rate decrease in the Company's general rate case for natural gas service, Case No. AVU-G-21-01. The Commission also finds the Company's proposal to amortize the surcharge balance of approximately $4.4 million to be recovered from customers over 38 months, rather than the normal 12-month period to be fair, just, and reasonable. The Commission approves this proposal as it will help to mitigate potential rate shock that could arise if the amortization period was shorter.

We also find that quarterly WACOG 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 the Company's Application to change its natural gas rates and charges is approved. The Company's proposed Schedule 150, including a WACOG of

$0.20305 and Schedule 155, including an amortization rate of $0.01505 per therm are approved as filed, effective September 1, 2021.

IT IS FURTHER ORDERED that the Company shall promptly apply to amend its WACOG if gas prices materially deviate from the WACOG approved in this Order.

IT IS FURTHER ORDERED that the Company 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 31st day of August 2021.

PAUL KJELLANDER, PRESIDENT

KRISTINE RAPER, COMMISSIONER

ERIC ANDERSON, COMMISSIONER

ATTEST:

Jan Noriyuki
Commission Secretary

I:\Legal\GAS\AVU-G-21-04\orders\AVUG2104_final_jh.docx