Office of the Secretary
Service Date
January 21, 2022

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF AVISTA UTILITIES FOR AN ORDER APPROVING A CHANGE IN NATURAL GAS RATES AND CHARGES	)))))))	**CASE NO. AVU-G-21-07** **ORDER NO. 35295**

On December 3, 2021, Avista Corporation dba Avista Utilities ("Company") applied to amend its current weighted average cost of gas ("WACOG") in its Rate Schedule 150 for the Company's Purchased Gas Cost Adjustment ("PGA") "due to a material change in natural gas prices and [to] collect the change in estimated cost of natural gas for the February 2022 through October 2022 nine-month period." *Application* at 2.

The Company represented that if its Application is approved, its annual revenue will increase by approximately $3.3 million (8.1%) and rates for an average residential or small commercial customer will increase by $3.93 per month (7.6%). The Company asked that its Application be processed by Modified Procedure and that the new rates take effect on February 1, 2022.

On December 17, 2021, the Idaho Public Utilities Commission ("Commission") issued a Notice of Application and Notice of Modified Procedure that set deadlines for interested persons to comment on the Application. *See* Order No. 35260. The Commission Staff ("Staff") filed comments on January 6, 2022 and was the only party to do so. The Company did not file reply comments. Having reviewed the record, the Commission now issues this Order approving the Application as set forth below.

BACKGROUND

The Company's 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 APPLICATION

A. Overview of Proposed Changes

The Company stated that in Case No. AVU-G-21-04, the Commission directed the Company to "promptly apply to amend its WACOG if natural gas prices materially deviate[d] from the WACOG approved in [Order 35151.]." *Application* at 3, ftnt 1, (quoting Order No. 35151at 6.). The Company asserted that its "out of cycle" PGA Application complies with the Commission direction in Order No. 35151 to amend the commodity WACOG in its Schedule 150 if a material change in natural gas prices occurred. As that material change has occurred, the Company filed its Application in order to collect the change in the estimated cost of natural gas for February 2022 through October 2022. *Application* at 2. The following table summarizes the proposed changes the Company wishes the Commission to approve[1]:

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	$0.06235	$ -	$0.06235	$ -	$0.06235
Lg. General	111	$0.06235	$ -	$0.06235	$ -	$0.06235
Lg. General	112	$0.06235	$ -	$0.06235	$ -	$0.06235
Interruptible	131	$0.06235	$ -	$0.06235	$ -	$0.06235
Transportation	146	$ -	$ -	$ -	$ -	$ -

B. Commodity Costs

In Order No. 35151, the WACOG *increased* by $0.04022 per therm, from $0.16283 to $0.20305 per therm (including revenue sensitive costs). *See* Order No. 35151 at 2. The Company asserted that the substantial price increases in wholesale natural gas are due to volatile market conditions. *See Application* at 3. These conditions arose from rising demand and lower supply during the year and are currently above the level included in rates—which continues to put an upward pressure on natural gas prices. *Id.* The main factors alleged to determine demand were exports to Mexico, elevated liquified natural gas exports, and increased use of gas for power generation. *Id.* In addition, the Company asserted that storage levels for natural gas were well below where they were last year, and the current forecasted end of season level appeared to be substantially below last year's level. *Id.*

[1] The Company is not proposing to change Schedule 155—which is why the demand change and amortization change columns are blank.

Based upon the foregoing, the Company proposed to increase the WACOG from the $0.20305 per therm embedded in current rates to $0.26540 per therm for the remainder of the PGA year: representing an increase of $0.06235 per therm.[2] *Id.* The Company asserted that this increase would limit the bill impact to customers resulting from a large surcharge deferral. *Id.* If the Company's Application is approved as filed, the Company's annual revenue will increase by $3.3 million (8.1%). *Id.* at 4. Residential or small commercial customers using an average of 63 therms per month (for the nine-month period) would see an *increase* in $3.93 per month (7.6%). *Id.* The present bill for 63 therms is $51.93; the proposed increase would bump the present bill to $55.86. *Id.*

COMMENTS

A. Staff Comments

Staff reviewed the Company's Application and accompanying workpapers and supported the Company's proposal to increase natural gas revenues in Idaho. *Staff Comments,* 2. Staff reviewed the Company's fixed price hedges and estimated future commodity prices to assess the reasonableness of the proposed changes and verified that the Company's filing will not change the Company's earnings. *Id.* Staff also verified that the proposed changes to Schedule 150 accurately reflected the Company's projected variable (commodity) costs. *Id.*

1. Schedule 150 – Purchased Gas Cost Adjustment

The Tariff Schedule 150 portion of the PGA consists of commodity costs and demand costs. *Id.* at 3. The Company's commodity costs are the variable costs that the Company incurs to buy natural gas. *Id.* The WACOG is an estimate of those costs. *Id.* In this case, the Company estimated its commodity costs would increase by $0.06235 per therm. *Id.*

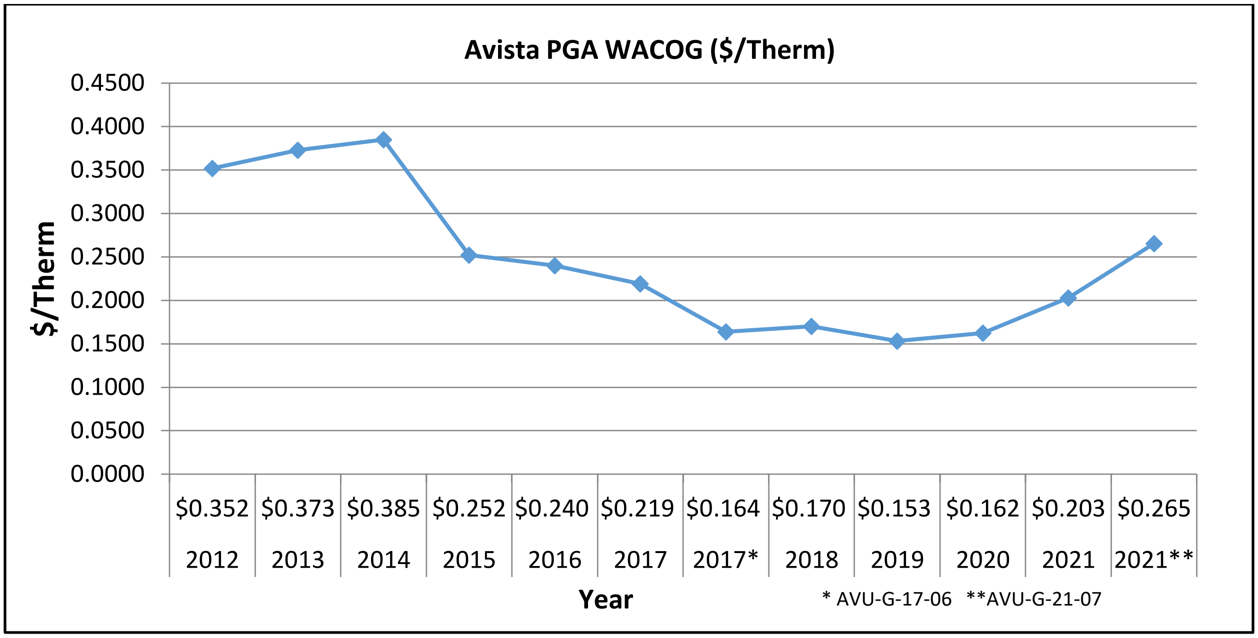
A. <u>Weighted Average Cost of Gas ("WACOG")</u>

The WACOG includes fuel charges to move gas at the city gate, some variable transport costs, and Gas Research Institute ("GRI") funding. It does not include third party gas management fees. In this case, the Company proposed a WACOG of $0.26540 per therm: an increase of approximately 31% from the current approved WACOG of $0.20305[3] per therm.

Chart No. 1 shows the Company's historical WACOG:

[2] The Company calculated the proposed Commodity WACOG of $0.26540 per therm by adjusting the 5-day historical average of AECO forward prices and hedging additional natural gas after its' previous PGA filing. Updating the 5-day historical average and all hedges results in a proposed $3.3 million revenue increase.
[3] Approved in Case No. AVU-G-21-04 Order No. 35151.

Chart No. 1: Historical WACOG



2. Market Fundamentals & Price Analysis

The Company's proposed WACOG of $0.26540 was determined by using a 5-day historical average of AECO forward prices to estimate index purchase costs for the remainder of the PGA year. The annual weighted average price for these volumes was $3.06 per dekatherm ($0.306 per therm). The annual weighted average price presently included in rates for these volumes was $2.17 per dekatherm ($0.217 per therm). There is currently a great deal of volatility in the natural gas futures. The EIA December 7, 2021, Short-Term Energy Outlook, shows that volatility of U.S. natural gas has reached historic levels. The EIA states: "In November, historical volatility averaged 85.0%, compared with the 2015–19 November average of 53.7%."[4]

In the Company's last PGA, the weighted-average price for hedged natural gas was $1.77 per dekatherm ($0.177 per therm). Subsequent to the last PGA, the Company entered into additional hedges. The annual weighted-average price for all hedges, including those entered into after the annual PGA filing for the remainder of the PGA year, is $2.66 per dekatherm ($0.266 per therm).

Based on review of the market fundamentals, trends and current EIA data, Staff believed that the Company's cost of its current hedges and estimated cost of forward-looking index purchases were reasonable.

[4] EIA December 7, 2021, https://www.eia.gov/outlooks/steo/marketreview/natgas.php.

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 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 $0.26540 per therm. This is an increase from the current approved WACOG of $0.06235 per therm. 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 "Out of Cycle" PGA Application will help mitigate the impact on Customer bills. We also find that quarterly WACOG and monthly deferred cost reports provide useful information to assist Staff with determining whether to audit earlier than planned, and whether an interim filing might be needed.

Lastly, the Commission finds that the Company's press release and customer notice both meet the requirements of Rule 125 of the Commission's Rules of Procedure. *See* IDAPA 31.01.01.125. As such, the Commission finds the notice fair, just, and reasonable.

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 $0.26540 is approved as filed, effective February 1, 2022.

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 21st day of January 2022.

ERIC ANDERSON, PRESIDENT

KRISTINE RAPER, COMMISSIONER

JOHN CHATBURN, COMMISSIONER

ATTEST:

Jan Noriyuki
Commission Secretary

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