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Attorney for the Commission Staff

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

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

STAFF OF the Idaho Public Utilities Commission, by and through its Attorney of record, Taylor Brooks, Deputy Attorney General, submits the following comments.

BACKGROUND

On December 3, 2021, Avista Corporation dba Avista Utilities (“Company”) filed an “Out of Cycle” PGA 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 is not requesting any changes to demand charges or Rate Schedule 155-Gas Rate Adjustment or amortization rate in this case.

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 requested that the proposed rates take effect February 1, 2022.

Overview of Proposed Rates

The Company’s PGA proposal would *increase* the Company’s annual revenue by approximately \$3.3 million or 8.1%. If approved, residential customers using an average of 63 therms per month would see rates *increase* by \$3.93 or about 7.6% per month. The Company’s proposed changes to Schedule 150 rates are further explained below.

The Company proposes to change its PGA per therm rates for its customer classes as shown in Table No. 1 below:

Table No. 1: Summary of Proposed PGA Rate Changes by Class

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)
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

STAFF ANALYSIS

Staff reviewed the Company’s “Out of Cycle” PGA Application and accompanying workpapers and supports the Company’s proposal to increase natural gas revenues in Idaho. Staff examined the Company’s fixed price hedges and estimates of future commodity prices to assess the reasonableness of the proposed changes. Staff verified that the Company’s filing will not change the Company’s earnings. Staff also confirmed that the proposed changes to Schedule 150 accurately reflects the Company’s projected variable (commodity) costs.

Schedule 150 – Purchased Gas Cost Adjustment

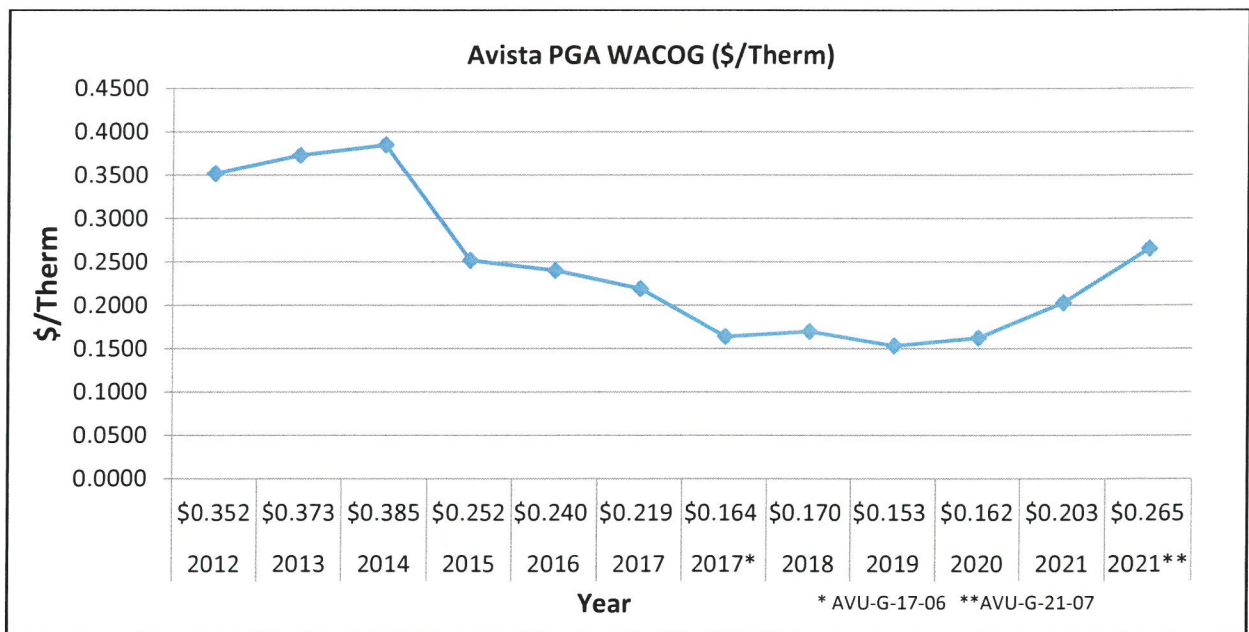
The Tariff Schedule 150 portion of the PGA consists of commodity costs and demand costs. The Company’s commodity costs are the variable costs that the Company incurs to buy natural gas. The WACOG is an estimate of those costs. In this case, the Company estimates its commodity costs will increase by \$0.06235 per therm, from the currently approved \$0.20305 per therm to \$0.26540 per therm. The Company is not seeking any changes to demand costs at this time. Demand costs will be addressed in the next annual PGA filing.

Weighted Average Cost of Gas (“WACOG”)

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 proposes a WACOG of \$0.26540 per therm. This is an increase of approximately 31% from the current approved WACOG of \$0.20305¹ per therm.

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

Chart No. 1: Historical WACOG



¹ Approved in Case No. AVU-G-21-04 Order No. 35151

Schedule 155 – Deferral Account

Tariff Schedule 155 reflects the amortization of the Company's deferral account. The Company is not proposing any changes to the current surcharge of \$0.01505² for rate Schedules 101 and 111. Potential changes to Schedule 155 will be addressed within the Company's next annual PGA filing.

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 is \$3.06 per dekatherm (\$0.306 per therm). The annual weighted average price presently included in rates for these volumes is \$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%."³

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). *Id at 4.*

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

CUSTOMER COMMENTS, NOTICE, AND PRESS RELEASE

The Company's press release and customer notice were included with its Application. Staff reviewed the documents and determined that both meet the requirements of Rule 125 of the Commission's Rules of Procedure. IDAPA 31.01.01.125. The notice was included with bills mailed to customers beginning December 7, 2021 and ending January 6, 2022. The Commission

² Approved in Case No. AVU-G-21-04 Order No. 35151

³ EIA December 7, 2021, <https://www.eia.gov/outlooks/steo/marketreview/natgas.php>

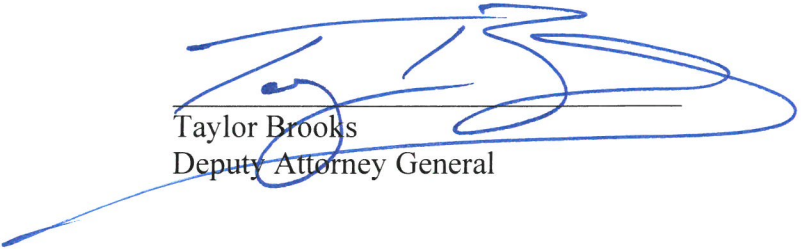
set a comment deadline of January 6, 2022. Some customers will have not received their notices or had adequate time to submit comments before the comment deadline. Customers must have the opportunity to file comments and have those comments considered by the Commission. Staff recommends that the Commission accept late filed comments by customers. As of January 5, 2022, no customer comments had been filed.

STAFF RECOMMENDATIONS

After examining the Company's Application and natural gas price estimates, Staff recommends the Commission:

1. Approve the Company's proposed Tariff Schedule 150, including the proposed WACOG of \$0.26540 per therm as filed.
2. Direct the Company to continue filing quarterly WACOG reports and monthly deferred cost reports with the Commission on an ongoing basis; and
3. Accept late-filed comments from customers.

Respectfully submitted this 6th day of January 2022.



Taylor Brooks
Deputy Attorney General

Technical Staff: Kevin Keyt
Curtis Thaden

i:umisc/comments/avug21.7tbkskct comments

CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 6TH DAY OF JANUARY 2022, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF**, IN CASE NO. AVU-G-21-07, BY E-MAILING A COPY THEREOF, TO THE FOLLOWING:

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SECRETARY