

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF AVISTA UTILITIES)
APPLICATION FOR AN ORDER)
APPROVING A CHANGE IN NATURAL GAS) **CASE NO. AVU-G-22-02**
RATES AND CHARGES)
)

On April 29, 2022, Avista Corporation dba Avista Utilities (“Company”) applied for an order approving a revised schedule of rates and charges for natural gas service. The Company requested its proposed rates be updated in the Schedule 150 Purchased Gas Cost Adjustment (“PGA”), effective July 1, 2022. The requested change would increase the Company’s revenue by \$8.3 million, or about 10.5 percent. The Company believed that filing now would limit the surcharge deferral for the remainder of the PGA cycle. The Company proposed to increase the Commodity Weighted Average Cost of Gas (“WACOG”) by \$0.08641 per therm. If approved, the average residential or small commercial customer using 63 therms per month would see an approximate increase of \$5.44 per month, or about 9.7 percent.

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 those costs into its PGA account and then passes them on to customers through an increase or decrease in rates.

In Case No. AVU-G-21-04, the Commission approved the Company’s annual PGA, effective September 1, 2021. Order No. 35151. In Order No. 35151, the Commission authorized the Company to increase its Commodity WACOG by \$0.04022 per therm, increasing from \$0.16283 per therm to \$0.20305 per therm. Subsequently, in Case No. AVU-G-21-07, the Commission approved the Company’s proposed “out-of-cycle” PGA adjustment to the WACOG by \$0.06235 per therm, increasing from \$0.20305 per therm to \$0.26540 per therm and effective February 1, 2022. Order No. 35295.

APPLICATION

The Company’s Application reflected its proposed “out-of-cycle” PGA to amend its Commodity WACOG in Schedule 150 and to collect the change in the updated cost of natural gas,

starting July 1, 2022. The following table summarizes the proposed changes the Company wishes the Commission to approve:¹

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	\$0.08641	-	\$0.08641	-	\$0.08641
Lg. General	111	\$0.08641	-	\$0.08641	-	\$0.08641
Lg. General	112	\$0.08641	-	\$0.08641	-	\$0.08641
Interruptible	131	\$0.08641	-	\$0.08641	-	\$0.08641

The Company cited macroeconomic and geopolitical events leading to the continued increase in the price of wholesale natural gas, which has pushed prices to levels not seen in over 13 years. The Company stated that the market factors attributing to the rise in prices were an overall increase in demand, lower supply, and the impact that the global natural gas market was having on the US natural gas market due to the war in Ukraine. Further the Company represented that the elevated liquified natural gas exports and use for electric generation have increased demand for natural gas. The Company stated that supply has been limited because production has been slow to return to pre-pandemic levels and, to date, has underperformed expectations in 2022. The Company noted that some of those market conditions were present when the Company filed Case Nos. AVU-G-21-04 and AVU-G-21-07, but when coupled with the additional market factors increasing demand for natural gas, there has been upward pressure on wholesale natural gas prices, creating a material change from the WACOG approved in the Company's prior PGA.

As such, the Company proposed to increase the Commodity WACOG from the \$0.26540 per therm currently embedded in rates, to \$0.35181 per therm for Schedule Nos. 101, 111, 112, 131, and 146, which is an increase of \$0.08641 per therm.

The Company calculated the proposed Commodity WACOG of \$0.35181 per therm by adjusting two items. First, the Company used a 30-day historical average of forward prices (as of April 12, 2022) to develop an estimated cost associated with index purchases for the one-year

¹ The Company is not requesting any changes related to demand charges or its Schedule 155 Amortization rate in this case.

period beginning after July 1, 2022. The Company then estimated the monthly volumes it would purchase during that period and multiplied that by the 30-day average forward price for the corresponding month. According to the Company's estimations, the annual weighted average price for these volumes is \$0.421 per therm. The annual weighted average price currently included in rates for these volumes is \$0.306 per therm. Second, the Company has entered into additional natural gas hedges since Case No. AVU-G-21-07. The weighted average price for hedged natural gas presently included in rates is \$0.266 per therm. The annual weighted average price for all hedges during the period, including those entered into after Case No. AVU-G-21-04, is now \$0.290 per therm.

STAFF COMMENTS

Staff reviewed the Company's "out-of-cycle" PGA Application and accompanying workpapers, and Staff supported the Company's proposal to increase natural gas revenues in Idaho. Staff examined the Company's fixed price hedges and estimated future commodity prices to assess the reasonableness of the proposed changes. Staff verified that the Company's filing would not change the Company's earnings, and that the proposed changes to Schedule 150 accurately reflected the Company's projected variable (commodity) costs.

However, Staff noted that the Company's notice to customers was included with bills mailed to customers beginning May 7, 2022, and ending June 6, 2022. The Commission set a comment deadline of June 8, 2022. Staff believed that some customers would not have received their notices or had adequate time to submit comments before the comment deadline. Staff represented that customers must have the opportunity to file comments and have those comments considered by the Commission. Staff recommended that the Commission accept late filed comments by customers.

Based upon its examining of the Company's Application and natural gas price estimates, Staff recommended the Commission:

- a. Approve the Company's proposed Schedule 150, including the proposed WACOG of \$0.35181 per therm, as filed;
- b. Direct the Company to continue filing quarterly WACOG reports and monthly deferred cost reports with the Commission on an ongoing basis; and
- c. Accept late-filed comments from customers.

COMMISSION FINDINGS AND DECISION

The Commission has reviewed the record, including the Application and comments. The Commission notes that, to date, no customer comments have been filed in this case. 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; 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 upon our review of the Application and all submitted material, we find it fair, just, and reasonable to approve the Company's proposed Schedule 150, including the proposed WACOG of \$0.35181 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 and limit surcharge deferrals. 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 Commission approves the Company's proposed Schedule 150, including the proposed WACOG of \$0.35181 per therm, as filed.

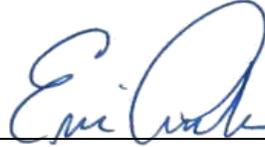
IT IS FURTHER ORDERED that the Company shall promptly apply to amend its WACOG if gas prices materially deviate from the WACOG approved in this Order.

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 upon this Order regarding any matter decided in 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.*

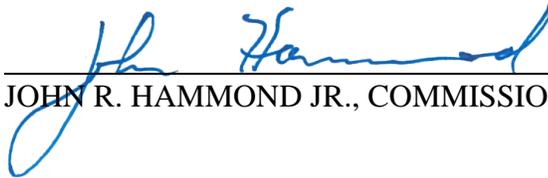
DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 24th day of June 2022.



ERIC ANDERSON, PRESIDENT



JOHN CHATBURN, COMMISSIONER



JOHN R. HAMMOND JR., COMMISSIONER

ATTEST:



Jan Noriyuki
Commission Secretary

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