



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 July 1, 2022.

### Overview of Proposed Rates

The Company's PGA proposal would *increase* the Company's annual revenue by approximately \$8.3 million or 10.5%. If approved, residential customers using an average of 63 therms per month would see rates *increase* by \$5.44 or about 9.7% 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	\$0.08641	-	\$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

### 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 estimated 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 and that the proposed changes to Schedule 150 accurately reflects the Company's projected variable (commodity) costs.

**Schedule 150 – Purchased Gas Cost Adjustment**

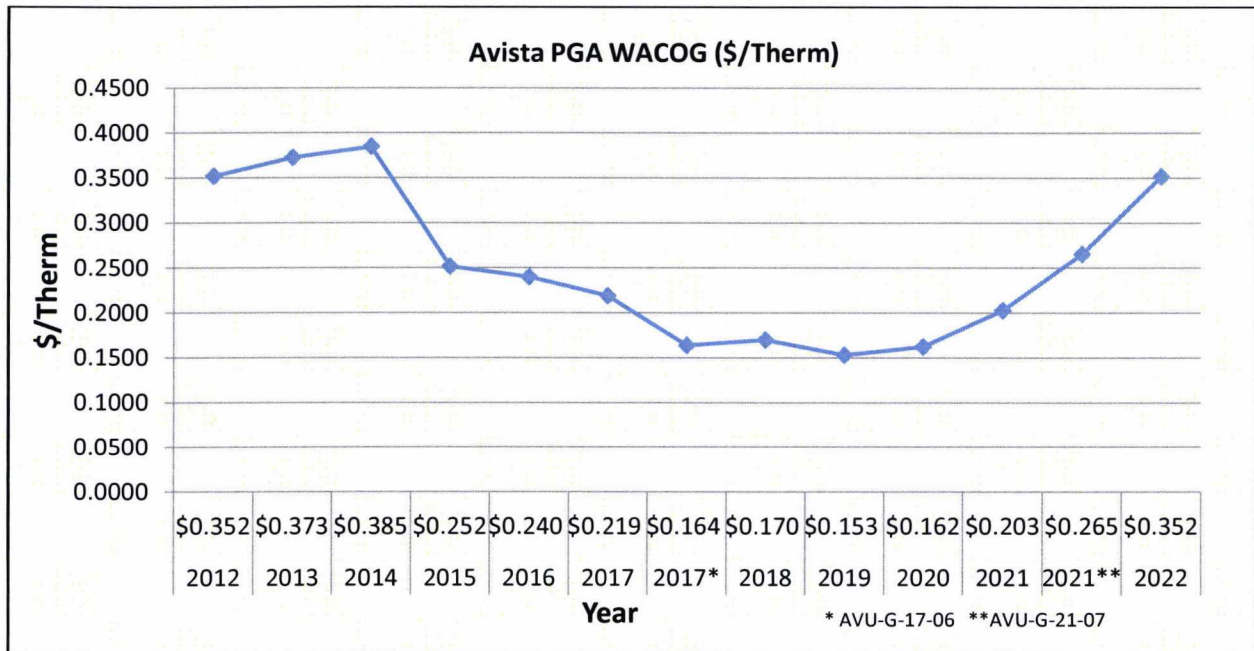
The Schedule 150 portion of the PGA rate consists of commodity costs and demand costs. The Company’s commodity costs are variable costs the Company incurs to buy natural gas. The WACOG is an estimate of those costs. In this case, the Company estimates its commodity costs will increase by \$0.08641 per therm—from the currently approved \$0.26540 per therm—to \$0.35181 per therm. The Company is not seeking to change to demand costs which will be addressed in the next annual PGA filing.

*Weighted Average Cost of Gas*

The WACOG includes 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 \$0.35181 per therm. This is an increase of approximately 32% from the current approved WACOG of \$0.26540<sup>2</sup> per therm.

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

**Chart No. 1: Historical WACOG**



<sup>2</sup> Approved Order No. 35295

## **Schedule 155 – Deferral Account**

Schedule 155 reflects the amortization of the Company’s deferral account. The Company is not proposing any changes to the current surcharge of \$0.01505<sup>3</sup> for rate Schedules 101 or 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 \$0.35181 per therm was determined by adjusting two items. First, the Company used a 30-day historical average of AECO forward prices (as of April 12, 2022) to develop an estimated cost associated with index purchases for the one-year period beginning after the effective date. The estimated monthly volumes to be purchased during this period are multiplied by the 30-day average forward price for the corresponding month. The annual weighted average price for these volumes is \$4.21 per dekatherm (\$0.421 per therm). *Id* at 4. The annual weighted average price presently included in rates for these volumes is \$3.06 per dekatherm (\$0.306 per therm). Second, the Company entered into additional natural gas hedges after it filed its last PGA Commodity WACOG update. The weighted average price for hedged natural gas presently included in rates is \$2.66 per dekatherm (\$0.266 per therm). The annual weighted average price for all hedges during the period, including those entered into after the annual PGA filing, is now \$2.90 per dekatherm (0.290 per therm). *Id* at 4

There is currently volatility in the natural gas futures. In the EIA April 12, 2022, Short-Term Energy Outlook, the EIA states;

In March, the Henry Hub natural gas spot price averaged \$4.90 per million British thermal units (MMBtu), which was up from the February average of \$4.69/MMBtu, as inventory withdrawals slightly outpaced the five-year (2017–2021) average. We expect liquefied natural gas (LNG) exports will increase from March levels, contributing to a Henry Hub price of \$5.95/MMBtu for April. We expect the Henry Hub price will average \$5.68/MMBtu in 2Q22 and \$5.23/MMBtu for all of 2022.<sup>4</sup>

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.

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<sup>3</sup> Approved in Case No. AVU-G-21-04; Order No. 35151.

<sup>4</sup> EIA April 12, 2022 <https://www.eia.gov/outlooks/steo/index.php>.

## 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 May 7, 2022 and ending June 6, 2022. The Commission set a comment deadline of June 8, 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 June 7, 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 Schedule 150, including the proposed WACOG of \$0.35181 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 8<sup>th</sup> day of June 2022.

  
Dayn Hardie  
Deputy Attorney General

Technical Staff: Kevin Keyt  
Curtis Thaden

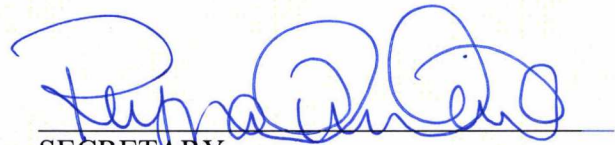
[i.umisc.comments/avug22.dhkskct](https://i.umisc.comments/avug22.dhkskct) comments

## CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 8<sup>th</sup> DAY OF JUNE 2022, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF**, IN CASE NO. AVU-G-22-02, BY E-MAILING A COPY THEREOF, TO THE FOLLOWING:

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