BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF AVISTA UTILITIES APPLICATION FOR AN ORDER APPROVING A CHANGE IN RATES FOR PURCHASED GAS COSTS AND AMORTIZATION OF GAS-RELATED DEFERRAL BALANCES	**CASE NO. AVU-G-22-06** **ORDER NO. 35581**

On September 2, 2022, Avista Corporation dba Avista Utilities ("Company") filed its annual Purchased Gas Cost Adjustment ("PGA") Application ("Application").

On September 27, 2022, the Commission issued a Notice of Application and Notice of Modified Procedure setting comment deadlines for interested persons and a reply comment deadline for the Company. Order No. 35541. The Commission Staff ("Staff") filed comments and was the only party to do so. The Company did not file reply comments.

Having reviewed the record, we now issue this Order approving the Company's Application.

APPLICATION

A. Overview of Proposed Rates

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. During the deferral period, 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 stated its proposal will *increase* annual revenues by about $11.2 million or 12.7%. The Company stated that the average residential or small commercial customer using 63 therms per month will see an *increase* of $7.27 per month or 11.9%. The Company represented that the proposed change would have no effect on the Company's earnings. The Company provided a copy of the press release it will send to affected customers. The Company asked that its Application be processed by Modified Procedure and that the new rates take effect November 1, 2022.

In its Application, the Company proposed to: (1) pass any change in the estimated cost of natural gas for the next 12 months to customers (Schedule 150); and (2) revise the amortization rates "to refund or collect the balance of deferred gas costs (Schedule 155)." Application at 2. The Company proposed to change its PGA rates in this case for its customer classes as follows:

Service	Sch No.	Commodity Change per therm	Demand Change per therm	Total Sch. 150 Change	Amortization Change per therm	Total PGA Rate Change per therm
General	101	$ (0.00111)	$ (0.00005)	$ (0.00116)	$ 0.11658	$ 0.11542
Lg. General	111	$ (0.00111)	$ (0.00005)	$ (0.00116)	$ 0.11658	$ 0.11542
Lg. General	112	$ (0.00111)	$ (0.00005)	$ (0.00116)	$ -	$ (0.00116)
Interruptible	131	$ (0.00111)	$ -	$ (0.00111)	$ -	$ (0.00111)
Transportation	146	$ -	$ -	$ -	$ -	$ -

Id. at 3. The Company's proposed changes to Schedules 150 and 155 and the Company's rates are further explained below.

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. Here, the Company estimated its commodity costs will *decrease* by $0.00111 per therm to $0.35070 per therm, from the currently approved $0.35181 per therm. *Id.* To minimize exposure to potential rising gas costs, the Company diversifies how it procures natural gas. The Company stated that its procurement strategy included hedging and estimating the cost of index purchases.

The Company's "demand costs" are its fixed-capacity costs for interstate transportation and underground storage. *Id.* at 4. The Company's demand costs primarily are costs to transport gas on interstate pipelines to the Company's local distribution system and fixed costs associated with storage. *Id.* The Company proposed a $0.00005 per therm *decrease* in the overall demand rate for customers on Schedules 101, 111, and 112. *Id.* This *decrease* 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, 2022." *Id.*

C. Schedule 155

The Company's Schedule 155 reflects the amortization of the Company's deferral account. The Company's proposed amortization rate change for Schedule 101 and Schedule 111 is an *increase* in revenue of $0.11658 per therm.[1] The current rate applicable to Schedules 101 and 111

[1] The Application mistakenly stated that the change in the amortization rate was $0.11542; Staff's comments mirrored that mistake. The actual change in the tariff is $0.11658 as seen on the table outlining the Company's proposed changes.

is $0.01505 per therm in the surcharge direction; the proposed rate is $0.13163 per therm in the surcharge direction taking into account the proposed amortization rate change.

If the Company's Application is approved as filed, "the Company's annual revenue will increase by approximately $11.2 million" (12.7%). *Id*. at 5. The Company states that the average residential or small commercial customer "using an average of 63 therms per month will see an *increase* of $7.27 per month" or 11.9%. *Id*.

The Company asserts it has or will notify customers of its proposed tariffs by sending notice to each customer as a bill insert in September.

STAFF COMMENTS

Staff reviewed the Company's Application and accompanying submissions and supported 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 calculated the impact of three natural gas filings. In slight contrast to the Company's Application, Staff included the Company's Fixed Cost Adjustment ("FCA") into their calculations[2] of the Company's net change to their natural gas revenue as seen in Table No. 4 contained in Staff's Comments and set forth below:

Table No. 4: Impact of the Three Natural Gas Filings

CASE	$ REVENUE CHANGE	% REVENUE CHANGE
PGA	$ 11.2 Million	12.7%
EE Tariff Rider	$ 2.6 Million	3.0%
FCA	$ (0.1 Million)	(0.2%)
TOTAL	**$ 13.7 Million**	**15.5%**

Staff Comments at 8. Staff also encouraged the Company to update its WACOG if gas prices materially change.

[2] The Company's Application did not incorporate a FCA in their analogous calculation. Accordingly, the Company calculated that the net change to their natural gas revenue "would be an increase of approximately $13.8 million or 15.7%." Application at 3.

Staff recommended the Commission a) approve the Company's proposed Schedules 150 and 155[3] as filed, 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 reviewed the Application, including Exhibit C: Copy of Press Release and Customer Notice. Staff determined that the documents in Exhibit C meet the requirements of Rule 125 of the Commission's Rules of Procedure. IDAPA 31.01.01.125. Because comment dates in this case were set to end before the Company had finished sending out customer notification, Staff recommended the Commission accept late filed comments.

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 and demand cost rates in Schedule 150 reasonably adjusts for the Company's costs without changing its net income. We find the proposed WACOG *decrease* by $0.00111 per therm, from the currently approved $0.35181 per therm to $0.35070 per therm to be a rate that is fair just and reasonable. We further find the proposed $0.13163 per therm amortization rate for general and large general service customers is fair, just, and reasonable. Likewise, we find the demand cost *decrease* of $0.00005 per therm for general and large general customers to be fair just and reasonable

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. We also find that quarterly WACOG and monthly deferred cost reports provide useful information and assist Staff with determining

[3] The Company's 2021 PGA included an approved 38-month amortization period. In this filing, the Company stated that it modeled its calculations using the customary 12-month amortization period. Staff also recommended returning to a 12-month amortization period.

whether to audit earlier than planned, and whether an interim filing might be needed. We find it fair, just, and reasonable to approve the Company's proposed Schedule 155. The Company's proposed rate of $0.13163 per therm in the surcharge direction is reasonable. The Commission also finds the Company's proposal to amortize the surcharge balance of approximately $11.2 million to be recovered from customers over the customary 12-month amortization period to be fair, just, and reasonable. Therefore, we approve the Company's proposed Schedule 155, as filed.

For those customers in need of financial assistance, the Low Income Home Energy Assistance Program and Project Share each provide energy assistance grants to eligible participants to help pay their natural gas bills. Customers can apply for these programs through Community Action Partnership agencies located in Avista's service territory.

ORDER

IT IS HEREBY ORDERED that the Company's Application to change its natural gas rates and charges is approved, as filed. The Company's proposed Schedule 150, including the WACOG of $0.35070 per therm and demand charge of $0.09238 per therm, for a total of $0.44308 per therm is approved, effective November 1, 2022.

IT IS FURTHER ORDERED the Company's proposed Schedule 155, with the amortization rate of $0.13163 per therm is approved as filed, effective November 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.

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 1st day of November 2022.

ERIC ANDERSON, PRESIDENT

JOHN CHATBURN, COMMISSIONER

JOHN R. HAMMOND JR., COMMISSIONER

ATTEST:

Jan Noriyuki
Commission Secretary

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