

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF AVISTA)
CORPORATION'S APPLICATION TO) CASE NO. AVU-G-19-06
CHANGE ITS NATURAL GAS RATES AND)
CHARGES (2019 PURCHASED GAS COST)
ADJUSTMENT) ORDER NO. 34472
_____)

On August 23, 2019, Avista Corporation dba Avista Utilities filed its annual Purchased Gas Cost Adjustment (PGA) Application. The PGA is a Commission-approved mechanism that adjusts rates up or down to reflect changes in Avista's costs to buy natural gas from suppliers—including changes in transportation, storage, and other related costs. Avista defers these costs into its PGA account, and then passes them on to customers through an increase or decrease in rates.

Avista states its proposal will increase rates for an average residential or small commercial customer using 64 therms per month by \$2.26 per month. Avista states it issued notice of this change via news release on August 23, 2019. Avista asked that its Application be processed by Modified Procedure, and that the new rates take effect November 1, 2019.

On September 13, 2019, the Commission issued a Notice of Application and Notice of Modified Procedure setting an October 9, 2019 comment deadline, and an October 16, 2019 reply deadline. Commission Staff filed written comments. Avista did not file reply comments. The Commission also received one customer comment.

Now, based on the record, the Commission approves the Application as set forth below.

THE APPLICATION

Avista distributes natural gas in northern Idaho, eastern and central Washington, and southwestern and northeastern Oregon. In this PGA Application, Avista proposed to: (1) pass any change in the estimated cost of natural gas for the next 12 months to customers (Tariff Schedule 150); and (2) revise the amortization rates to refund or collect the balance of deferred gas costs (Tariff Schedule 155). Avista proposed to change its PGA rates for its customer classes as follows:

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)	Overall Percent Change
General	101	\$(0.01697)	\$(0.00290)	\$(0.01987)	\$0.05520	\$0.03533	5.2%
Lg. General	111	\$(0.01697)	\$(0.00290)	\$(0.01987)	\$0.05520	\$0.03533	4.9%
Lg. General	112	\$(0.01697)	\$(0.00290)	\$(0.01987)	\$ -	\$(0.01987)	-2.6%
Interruptible	131	\$(0.01697)	\$ -	\$(0.01697)	\$ -	\$(0.01697)	-4.6%
Transportation	146	\$ -	\$ -	\$ -	\$0.00265	\$0.00265	2.1%

Avista's proposed changes to Schedules 150 and 155 and Avista's rates are further explained below.

Schedule 150

The Tariff Schedule 150 portion of the PGA has two parts: the "commodity costs" and the "demand costs." Avista's "commodity costs" are the variable costs at which Avista buys natural gas. The weighted average cost of gas (WACOG) is an estimate of those costs. In its Application, Avista estimated its commodity costs will *decrease* by \$0.01697 per therm, from the currently approved \$0.17025 per therm, to \$0.15328 per therm. To minimize exposure to potential rising gas costs, Avista diversifies how it procures natural gas. Avista's procurement strategy includes hedging and estimating the cost of index purchases using a 30-day historical average of forward prices for each supply basin.

Avista's "demand costs" are primarily costs to transport gas on interstate pipelines to Avista's local distribution system and underground storage costs. Avista proposed a \$0.00290 per therm *decrease* in the overall demand rate for customers on Schedules 101, 111, and 112. This reduction is caused by several factors, including the Canadian exchange rate, an updated demand forecast, and changes arising from federal tax reform for Gas Transmission Northwest.

Schedule 155

Tariff Schedule 155 reflects the amortization of Avista's deferral account. With this Application, Avista proposed to increase the amortization rate for general and large general service customers by \$0.05520 per therm. Avista explained this increase is largely due to volatile wholesale natural gas prices during the winter of 2018-2019, which was mostly caused by the West Coast Pipeline rupture in October 2018.

COMMENTS

A. Staff Comments

Staff reviewed Avista's Application and accompanying submissions and supports the Company's request. To assess the reasonableness of the proposed changes, Staff examined Avista's gas purchases for the year, its fixed price hedges, pipeline transportation and storage costs, and estimates of future commodity prices. Staff reviewed Avista's jurisdictional allocations and the reasonableness of its Lost and Unaccounted for Gas volumes. Staff also verified that Avista's filing will not change Avista's earnings, and confirmed the proposed changes to Schedules 150 and 155 accurately capture Avista's demand and commodity costs.

Staff recommended the Commission a) approve Avista's proposed Tariff Schedules 150 and 155, b) direct Avista to continue filing quarterly WACOG reports and monthly deferred cost reports with the Commission on an ongoing basis, and c) accept late-filed customer comments. To date, the Commission has received one customer comment, which was timely filed.

B. Customer Comments

The customer comment filed with the Commission recommended that it reject Avista's Application. The customer argued that there "is no justification" for the price increase because wholesale natural gas prices have steadily decreased over the past three years. While acknowledging the spike in wholesale prices caused by the West Coast Pipeline rupture in 2018, the customer argued the event could not have been so costly as to require a price increase for customers, particularly in light of steadily declining wholesale natural gas prices.

COMMISSION FINDINGS AND DECISION

The Commission has reviewed the record, including the Application and comments. Avista 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.

Based on our review of the record, we find Avista's proposed commodity cost and demand cost rates in Schedule 150 reasonably capture Avista's costs. We thus find it fair, just, and reasonable to approve Avista's proposed Schedule 150. We further find the proposed \$0.05520 per therm amortization rate increase for general and large general service customers is fair, just, and reasonable. The Commission acknowledges wholesale natural gas price decreases are reflected

in the cost decreases in Schedule 150. The overall cost increase for residential and small commercial customers is due to amortization of the deferral account under Schedule 155. We therefore approve Schedule 155.

We also find that quarterly WACOG reports 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 Avista's Application to change its natural gas rates and charges is approved. Avista's proposed Tariff Schedules 150 and 155 are approved as filed, effective November 1, 2019.

IT IS FURTHER ORDERED that Avista 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 with regard to 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.

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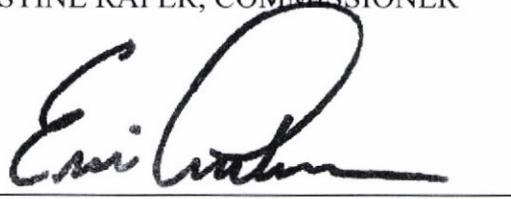
DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this *31st.*
day of October 2019.



PAUL KJELLANDER, PRESIDENT



KRISTINE RAPER, COMMISSIONER



ERIC ANDERSON, COMMISSIONER

ATTEST:



Diane M. Hanian
Commission Secretary

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