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Jeff Killip
Executive Director and Secretary
Washington Utilities & Transportation Commission
621 Woodland Square Loop SE
Lacey, WA 98503

RE: WN U-29 Natural Gas Service - Avista's Annual Purchased Gas Cost Adjustment (PGA)

Enclosed for electronic filing with the Commission is a copy of the following proposed tariff sheets:

Twenty-Eighth Revision Sheet 150 canceling **Twenty-Seventh Revision Sheet 150**
Twenty-Seventh Revision Sheet 155 canceling **Sub. Twenty-Sixth Revision Sheet 155**
Twelfth Revision Sheet 149 canceling **Eleventh Revision Sheet 149**

This filing is the Company's annual Purchased Gas Cost Adjustment ("PGA") to: 1) pass through changes in the estimated cost of natural gas for the forthcoming year (Schedule 150), and 2) revise the amortization rate(s) to refund or collect the balance of deferred natural gas commodity and demand costs (Schedule 155). The Company is requesting an overall revenue decrease of $74.5 million, or 24.6 percent, effective November 15, 2024[1]. Below is a table summarizing the proposed rate changes reflected in this filing.

Service Schedule	Sch. No.	Commodity Change per therm	Demand Change per therm	Total Sch. 150 Change	Sch. 155 Amort. per therm	Total PGA Rate Change per therm
General	101	$ (0.06373)	$ (0.00404)	$ (0.06777)	$ (0.30092)	$ (0.36869)
Large General	111	$ (0.06373)	$ (0.00561)	$ (0.06934)	$ (0.28878)	$ (0.35812)
Large General	112	$ (0.06373)	$ (0.00561)	$ (0.06934)	$ -	$ (0.06934)
Interruptible	131	$ (0.06373)	$ (0.00287)	$ (0.06660)	$ -	$ (0.06660)
Interruptible	132	$ (0.06373)	$ (0.00287)	$ (0.06660)	$ -	$ (0.06660)

[1] November 15th is the proposed effective date for this filing to align with the effective date of the Company's proposed Schedule 163 - Climate Commitment Act (CCA) filing, also filed on August 30, 2024 with the same effective date. The CCA is at issue in the coming election, and in the event the CCA is repealed, the Company would have time to withdraw that filing before the Commission makes a decision. Aligning the effective dates of the filings made by the Company on August 30, 2024 impacting natural gas customer's rates will minimize the number of rate changes resulting in less customer confusion and administrative burden.

Commodity Costs
The estimated Weighted Average Cost of Gas ("WACOG") change is a decrease of $0.06373 per therm. The proposed WACOG $0.23783 per therm compared to the present WACOG of $0.30156 per therm included in rates resulting in a decrease in revenue of approximately $13.1 million compared to what is currently included in Schedule 150.

The natural gas market in the western US experienced significant price volatility early in the most recent winter (2023/2024) culminating in a 5-day period in January, when regional prices topped $20/dth at several locations. The volatility was driven mainly by temperatures with the higher priced periods coinciding with below average temperatures. Since that time, volatility has declined, and prices have trended lower through the late winter and spring. Mild temperatures are the main cause of the falling prices as demand for heating has underperformed expectations during this period. The weak demand has led to historically high storage balances at all the regional storage facilities.

Nationally, prices for most of the past year have mirrored the regional market. Henry Hub prices and volatility were elevated in January and then began to trend lower due to mild weather and a growing storage balance. Since early May however, Henry Hub and the regional hubs have diverged. Henry Hub spot prices have risen over $1 during this period while regional prices have mostly stayed flat, or fallen, in the case of the AECO hub. The strength in Henry Hub is likely due to a combination of reduced production and increased demand nationally. Demand for power generation has ramped up recently due to above average temperatures in many parts of the country. Production meanwhile has fallen since early February.

Looking ahead to next winter (2024/2025), storage balances are close to full at most facilities in the region with three months remaining in the injection season (April-October) indicating the region will exit injection season with a surplus of gas in storage relative to prior years that could result in downward pressure on prices. However, recent winters have proven that capacity limitations (the ability to import gas via pipeline) in the region are such that a sustained period of below average fall or winter temperatures can force a heavy reliance on storage and cause a balance surplus to flip to a deficit relatively quickly. So far, forward prices for this winter appear to be discounting the impact of the storage surplus and are incorporating a risk premium to reflect the potential impact of below normal temperatures next winter.

The Company's natural gas Procurement Plan ("Plan") uses a diversified approach to procure natural gas for the coming PGA year. While the Plan generally incorporates a more structured approach for the hedging portion of the portfolio, the Company exercises flexibility and discretion in all areas of the plan based on changes in the wholesale market. The Company typically communicates with Commission Staff semi-annually to inform it as to the state of the wholesale market and the status of the Company's Plan. In addition, the Company communicates with Staff when it believes it makes sense to deviate from its Plan and/or opportunities arise in the market.

Avista has been hedging natural gas on both a periodic and discretionary basis throughout the previous 36 months for the forthcoming PGA year. Approximately 43% of estimated annual load requirements for the PGA year (November 2024 through October 2025) has been hedged at a fixed-price derived from the Company's Plan. The hedge volumes for the PGA year have been executed at a weighted average price of $3.14 per dekatherm ($0.3135 per therm).

Available underground storage capacity at the Jackson Prairie Natural Gas Storage Facility represents approximately 23% of annual load requirements (29% of load requirements during the November to April withdrawal period). The estimated WACOG for all storage volumes is $1.38 per dekatherm ($0.1376 per therm). The Company utilizes its underground storage to capture seasonal price spreads (differentials), improve the reliability of supply, increase operational flexibility and mitigate peak demand price spikes.

The Company used AECO forward prices as of July 31, 2024 (30-day average) to develop an estimated cost associated with index purchases. These index purchases represent approximately 34% of estimated annual load requirements for the coming year. The annual weighted average price for these volumes is $1.94 per dekatherm ($0.1935 per therm).

Demand Costs

Demand costs reflect the cost of pipeline transportation to the Company's system, as well as fixed costs associated with natural gas storage. Demand costs are expected to decrease for residential customers by approximately $0.00404 per therm. This change is related to a combination of various factors including Canadian exchange rate, updated demand forecast, and pipeline tariff changes for the upcoming PGA year resulting in a decrease in revenue of approximately $0.9 million compared to what is currently included in Schedule 150.

Schedule 155 / Amortization Rate Change

Related to the commodity portion of the amortization, as discussed above, overall prices during the PGA year have been lower than the amounts currently in rates. Related to the demand portion of the amortization, costs are impacted by a variety of factors including the Canadian exchange rate, demand volumes, and changes in pipeline rates.

Lower commodity prices, reflective of a combination of the before mentioned factors, has resulted in a current deferral rebate balance of approximately $3.9 million and residual amortizing surcharge balance of $11.5 million for a net deferral of $7.6 million as of June 30, 2024. The Company included estimated amortization through October 2024 decreasing the balance for amortization to a surcharge of $0.3 million (net of Schedule 112 and 132 customer deferrals). This results in a reduction of $60.5 million in surcharge revenue compared to what Schedule 155 is currently designed to collect.

Schedule 149 / Backup and Supplemental Compressed Natural Gas Service

The Company has also included Schedule 149, "Backup and Supplemental Compressed Natural Gas Service" to reflect the new first block billing rate for Schedule 111. That rate is one of the key components to determine the Retail Rate per Gas Gallon Equivalent under that schedule. Several of the adder schedule rates incorporated in the billing rate for Schedule 111 are pending approval at this time (Schedule 150 – Purchased Gas Cost Adjustment, Schedule 155 – Gas Rate Adjustment, and

Schedule 192 – LIRAP). Should the Commission approve a rate that is different from what the Company has proposed to go into effect for any of these adder schedules, the Company with file a substitute Schedule 149 tariff to reflect the approved billing rate for Schedule 111.

Other Information

Guidance provided in Docket No. UG-132019's "Policy and Interpretive Statement on Local Distribution Companies' Natural Gas Hedging Practices" ("Policy Statement") requires that Avista shall file, by the deadline for submitting the 2024 PGA filing, an annual comprehensive hedging plan that demonstrates the integration of risk responsive strategies into the Company's overall hedging framework. That report is being filed as an attachment to this filing.

Summary

The annual revenue change reflected in this filing is a decrease of $74.5 million in annual natural gas revenue, or 24.6%, in comparison to billing rates currently in effect. The present bill for a residential customer using 66 therms is $100.86 while the proposed bill is $76.53, a decrease of $24.33 or 24.1%. The proposed rate change will vary based on a customer's usage and service schedule.

Also enclosed are the workpapers supporting the proposed rate changes and a bill insert to customers regarding the proposed increase. Please note that Attachment E and Attachment H are Confidential as they contain individual counterparty name and pricing information that is confidential. Therefore, per WAC 480-07-160, Attachment E is being provided in a confidential and redacted version. The entire content of Attachment H is confidential in nature, therefore, only a confidential version is being provided. Also, Attachment H is being provided in excel format only given the detailed and electronic nature of the information provided.

If you have any questions regarding this filing, please call Marcus Garbarino at 509-495-2567.

Sincerely,

/S/Patrick D. Ehrbar

Patrick D. Ehrbar
Director of Regulatory Affairs