

Agenda Date: June 30, 2022
Item Number: A1

Docket: UG-220309
Company: Avista Corporation d/b/a Avista Utilities

Staff: Alex Tellez, Regulatory Analyst
Natalie Roberts, Regulatory Analyst

Recommendation

Take no action, thereby allowing the tariff sheets filed by Avista Corporation in Docket UG-220309 to become effective July 1, 2022, by operation of law.

Background

On April 29, 2022, Avista Corporation d/b/a Avista Utilities (Avista or Company) filed with the Washington Utilities and Transportation Commission (Commission) a revision to tariff WN U-29 Natural Gas Service, Sheet 150 Purchased Gas Cost Adjustment (PGA), effective July 1, 2022, through October 31, 2022. Due to rising natural gas prices and issues with supply, Avista has filed an Out of Cycle PGA to update the commodity weighted average cost of gas (WACOG) to avoid rate shock in November 2022. The Company proposes to increase the commodity charge of the WACOG from \$0.23350 per therm to \$0.34994 per therm, an increase of \$0.11644. If approved, Avista's annual revenue will increase by \$23.0 million, or 12.6 percent. The average residential or small commercial customer using 67 therms per month would see an increase of \$7.80 per month. This filing does not affect Schedule 155(Amortization Rate) and does not affect the Company's earnings. However, it will help mitigate the impacts of the deferred gas costs to be collected from ratepayers over the upcoming year beginning November 1, 2022. Avista will file its regular PGA in October with an effective date of November 1, 2022.

Discussion

Natural Gas Market

Natural gas commodity prices have risen since the onset of the COVID-19 pandemic in early 2020. This trend can be illustrated by Alberta Energy Company's (AECO) changes in daily day-ahead natural gas prices, included below, where prices have risen over 200 percent. Since Avista's most recent annual PGA,¹ wholesale gas prices have continued to increase across North America, including at trading hubs where Avista procures natural gas. The US Energy Information Administration expects prices to continue to rise this month and remain high for the rest of 2022.² These high prices can be attributed broadly to low natural gas inventories and

¹ Avista, Docket UG-210672

² [U.S. Energy Information Administration - EIA - Independent Statistics and Analysis](#)

supply as well as high demand for US liquefied natural gas (LNG) exports and natural gas in the electric power sector.³



Chart 1. Changes in AECO’s daily natural gas day-ahead prices per dekatherm from 1/1/20 to 6/17/22.

The European Union (EU) has continued to increase its imports of US LNG as it faces low gas storage inventories and a continued decline of natural gas production in Europe. US LNG exports to the EU increased from 3.4 billion cubic feet per day (Bcf/d) in November 2021 to 16.5 Bcf/d in April 2022, and is projected to continue to rise.^{4,5} Concurrently, the US continues to experience low natural gas inventories. Net withdrawals this past winter were 10 percent greater than the previous five-year average due to colder-than-normal temperatures and higher consumption in the electric power sector; because of coal supply constraints and rising fuel prices, demand for natural gas in this sector has persisted.^{6,7} While production of dry natural gas increased this past winter, production has still not returned to pre-COVID-19 levels.⁸ As of May of 2022, inventories were 15 percent below the five-year average. This reduction in supply

³ [Short-Term Energy Outlook - U.S. Energy Information Administration \(EIA\)](#)

⁴ [U.S. Energy Information Administration - EIA - Independent Statistics and Analysis](#)

⁵ [U.S. Energy Information Administration - EIA - Independent Statistics and Analysis](#)

⁶ [U.S. Energy Information Administration - EIA - Independent Statistics and Analysis](#)

⁷ [U.S. Energy Information Administration - EIA - Independent Statistics and Analysis](#)

⁸ [U.S. Energy Information Administration - EIA - Independent Statistics and Analysis](#)

coupled with strong global demand for natural gas has led to significant upward pressure on natural gas prices.

Rate Impacts

Because natural gas prices have risen and are likely to continue to rise, Avista proposes to update the commodity portion of its WACOG by \$0.11644 per therm from July to October, keeping the demand and amortization charges the same until their next annual PGA in November. The proposed increase in WACOG reflects a complete pass through of their newly estimated commodity costs based on hedges Avista has made since their last filing, updates to price forecasts from their suppliers, and updated volume forecasts. Table 1 below outlines the changes to each service schedule based on the proposed tariff changes. Table 2 outlines the percent change in revenue for service schedules. The average residential customer using 67 therms per month will see an increase of \$7.80 per month.

Table 1. Changes in Schedule No. 150 tariff rates for due to increases in projected gas costs.

Service Schedule	Sch. No.	Volume (Therms)	Previous Tariff Rate Per Therm	Proposed Tariff Rate Per Therm	Commodity Change Per Therm	% Change
General	101	137,809,037	\$ 0.82621	\$ 0.9426	\$ 0.116440	14.09
Fixed Income	102	137,947	0.34152	0.45796	0.116440	34.09
Large General	111	58,623,990	0.76113	0.87757	0.116440	15.30
Large General	112	-	0.73077	0.84721	0.116440	15.93
Interruptible	131	-	0.59747	0.71391	0.116440	19.49
Interruptible	132	911,414	0.58934	0.70578	0.116440	19.76

Table 2. Changes in the revenue requirements based on changes in tariff rates.

Schedule No.	Total Revenue Change (Schedule 150)	Total Billed Revenue	% Change in Revenue
Rate Schedule 101/102	\$ 16,062,547	\$ 136,764,000	11.7
Rate Schedule 111/112	6,826,178	40,128,000	17.0
Rate Schedule 131/132	106,125	536,000	19.8
Rate Schedule 146/116	-	3,256,000	0.0
Rate Schedule 148	-	1,523,000	0.0
Total	22,994,850	182,207,000	12.6

Customer Comments

On April 29, the Company began notifying its customers of the proposed PGA through bill insert. Commission staff (Staff) received seven consumer comments regarding the proposed rate

increase, all opposed. All the commenters were concerned about the impact a 12 percent increase would have, three commenters discussed the impact the increase would have on individuals still struggling with pandemic recovery or inflation and several commenters expressed frustration at the frequency of rate cases. Customers were notified that they may access relevant documents about this case on the Commission's website, and that they may contact Andrew Roberts at 1-888-333-9882 or andrew.roberts@utc.wa.gov with questions or concerns.

Conclusion

Staff reviewed Avista's filing, including documents supporting actual gas costs. Avista's revised rates accurately reflect the cost of providing gas to its customers, as there is no sharing or savings mechanism in this adjustment, and the rate increase will likely mitigate a rate shock in November. If gas prices go down, customers will see a benefit in a future filing through a decrease in the deferred gas costs. Staff supports this filing and recommends the Commission take no action, thereby allowing the tariff sheets filed by Avista Corporation in Docket UG-220309 to become effective July 1, 2022, by operation of law.