

Agenda Date: October 26, 2023
Item Numbers: A1, A2, A3, A4

Dockets: UG-230709 – Avista Corporation d/b/a Avista Utilities
UG-230745 – Cascade Natural Gas Corporation
UG-230763 – Northwest Natural Gas Company d/b/a NW Natural
UG-230769 – Puget Sound Energy

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Recommendation

Take no action, thereby allowing the tariff sheets filed by Avista Corporation d/b/a Avista Utilities (Avista), Cascade Natural Gas Corporation (Cascade), Northwest Natural Gas Company d/b/a NW Natural (NW Natural), and Puget Sound Energy (PSE), in Dockets UG-230709, UG-230745, UG-230763, and UG-230769, respectively, to become effective November 1, 2023, by operation of law.

Background

Each natural gas utility regulated by the Washington Utilities and Transportation Commission (Commission) files an annual tariff revision that adjusts rates to reflect the cost of supplying natural gas to its customers. The Commission refers to these filings as annual Purchased Gas Adjustments (PGA). The annual PGA revises rates by (1) updating the projected cost of gas for the upcoming year, and (2) updating the amortization rate for the deferral balance. The deferral balance reflects the difference between the actual cost of gas and the cost of gas embedded in rates. PGAs reflect both actual costs of the previous year and forecasted natural gas costs for the upcoming year.

Summary of Filings

Table 1. Summary of annual impact due to (a) projected gas costs, and (b) change in amortization rate for the deferral balance (*in millions*).

	Cascade	PSE	Avista	NW Natural
Projected gas costs	(\$26.4)	(\$93.9)	(\$14.8)	\$1.7
Amortization of deferral	\$25.7	(\$215.5)	\$6.6	(\$13.9)
Total change (annual)	(\$0.7)	(\$309.4)	(\$8.1)	(\$12.2)
Avg. Monthly Residential Bill Impact (in dollars)	(\$0.15)	(\$24.08)	(\$6.76)	(\$8.12)

Table 2. Summary of Weighted Average Cost of Gas (WACOG) for residential customers, by commodity and demand components.¹

	Cascade	PSE	Avista	NW Natural
Commodity	\$0.42860	\$0.38870	\$0.28838	\$0.45064
Demand (firm)	\$0.17340	\$0.14152	\$0.09585	\$0.09722
Total WACOG	\$0.60200	\$0.53022	\$0.38423	\$0.54786

Table 3. Summary of bill impact – all proposed tariff revisions effective November 1, 2023.

	Cascade	PSE	Avista	NW Natural
Avg. Monthly Residential Bill (Current)	\$75.23	\$99.09	\$96.78	\$90.12
Revisions				
PGA	(0.15)	(\$24.08)	(\$6.76)	(\$8.12)
Pipeline CRM Adj.	0.50			
Decoupling Rate Adj.	(1.64)			
Capital Projects Refund		(0.10)		
Conserv./Energy Eff. Adj.	0.88			2.73
Low Income Adj.	0.51		2.11	(0.03)
Rate Mit. Amort.				(7.22)
EDIT tariff Adj.	0.01			
Bill Discount				N/A
CCA		2.36		
Reg Fee				0.16
Insurance Adj.			0.00	
Depreciation				(0.24)
Properties Sales				0.39
ECRM Adj.				(0.54)
Sum of All Revisions	\$0.11	(\$21.82)	(\$4.65)	(\$12.87)
Revised Avg. Monthly Residential Bill	\$75.34	\$77.27	\$92.13	\$77.25
Percent Change	0.15%	-22.02%	-4.80%	-14.3%

¹ Commodity and demand charges shown are *before* revenue sensitive items for comparison purposes.

Discussion

Cascade, Docket UG-230745, et.al.

Cascade, a gas-only utility, serves approximately 231,000 customers throughout Washington, including Aberdeen, Bellingham, Bremerton, Yakima, Walla Walla, and Longview. Cascade's Schedule 595 rates capture the estimated cost of gas in the upcoming year and its Schedule 590 rates capture the amortization of the deferral balance.

Cascade's storage is typically filled throughout the summer, with fill targets of 100 percent by September/October. Due to the lower cost of injected supplies, Cascade's storage accounts at Mist and Jackson Prairie saw over a 50 percent reduction in average storage commodity costs.

Cascade's projected gas costs for the upcoming year will decrease annual revenue by approximately \$26.4 million, and the amortization of deferred gas costs increase annual revenue by approximately \$25.7 million. The combined effect of the PGA revisions to Schedules 595 and 590 is a decrease in annual revenue of approximately \$0.7 million, or 0.21 percent. The impact of the PGA filing *only* on a residential customer's monthly bill with an average consumption of 54 therms is a decrease of \$0.15, or 0.2 percent.

In addition to the PGA filing, Cascade has several rate revision filings that are proposed to become effective on November 1 (*see* Table 3 above). The bill impact of the combined rate revisions on a residential customer with a monthly average consumption of 54 therms will be an increase of \$0.11, from \$75.23 to \$75.34, or 0.15 percent.

PSE, Docket UG-230769, et. al.

PSE, a combined electric and gas utility, serves over 900,000 natural gas customers in Western Washington. PSE's Schedule 101 rates capture the estimated cost of gas in the upcoming year, and its Schedule 106 rates capture the amortization of the deferral balance.

PSE's projected gas costs for the upcoming year will decrease annual revenue by approximately \$93.9 million, and the amortization of deferred gas costs will decrease annual revenue by approximately \$215.5 million. The combined effect of the PGA revisions to Schedules 101 and 106 is a decrease in annual revenue of approximately \$309.4 million, or 17.3 percent. The impact of the PGA filing *only* on a residential customer's monthly bill with an average consumption of 64 therms is a decrease of \$24.08, or 24.3 percent.

In addition to the PGA, PSE has two additional rate revisions that have an effective date of November 1 (*see* Table 3 above): a rate increase related to the Climate Commitment Act, and a rate reduction as a result of Commission staff's (Staff) analysis of PSE's capital projects review.²

² On March 31, 2023, PSE filed its Annual Provisional Capital Report in compliance with Dockets UE-220066, UG-220067, and UE-210981 (*Consolidated*). PSE filed tariff revisions to reflect the provisional

The bill impact of the combined rate revisions on a residential customer with a monthly average consumption of 64 therms will be a decrease of \$21.82, from \$99.09 to \$77.27, or 22.0 percent.

Avista, Docket UG-230709, et.al.

Avista, a combined electric and gas utility, serves approximately 176,800 natural gas customers in eastern Washington. Avista's Schedule 150 rates capture estimated natural gas costs for the upcoming year, and Schedule 155 rates capture the amortization of deferred natural gas commodity costs.

Although natural gas market prices in the western US experienced extreme pricing this past winter, by early spring, demand had tapered. Hydroelectric generation was strong, and weather was moderate, resulting in healthy storage injections in the region this past spring and early summer at much lower prices than the previous year. Nationwide, production has ramped up, and storage balances are above the 5-year average, putting downward pressure on forward prices. These factors resulted in forward prices for the upcoming PGA year less than what they were for the 2022-23 PGA year.

Avista's projected gas costs for the upcoming year will decrease annual revenue by approximately \$14.8 million, and the amortization of deferred gas costs increase annual revenue by about \$6.6 million. The combined effect of the PGA revisions to Schedules 150 and 155 is a decrease in annual revenue of \$8.1 million, or 3.0 percent. The impact of the PGA filing *only* on a residential customer's monthly bill with an average consumption of 67 therms is a reduction of \$6.76, or 6.98 percent.

Avista has two additional rate revisions proposed to become effective on November 1 (*see* Table 3 above): one is related to Avista's low-income assistance program, and the other is related to its insurance balancing account. The bill impact of the combined rate revisions on a residential customer with a monthly average consumption of 67 therms will be a decrease of \$4.65, from \$96.78 to \$92.13, or 4.8 percent.

NW Natural, Docket UG-230763, et.al.

NW Natural, a gas-only utility, serves approximately 96,000 customers in Washington. NW Natural's Schedule 203 rates capture estimated natural gas costs for the upcoming year, and Schedule 201 rates capture the amortization of deferred natural gas commodity costs.

NW Natural's projected gas costs for the upcoming year will increase annual revenue by approximately \$1.7 million, and the amortization of deferred gas costs decrease annual revenue by approximately \$13.9 million. The combined effect of the PGA revisions to Schedules 203 and 201 is a decrease in annual revenue of \$12.2 million, or 11.98 percent. The impact of the PGA

rates that were subject to refund, Dockets UE-230320 and UG-230323. These dockets are on the No Action portion of the agenda.

filing *only* on a residential customer's monthly bill with an average consumption of 58 therms is a decrease of \$8.12, or 9.0 percent.

In addition to the PGA filing, NW Natural has several rate revision filings that are proposed to become effective on November 1 (*see* Table 3 above). The combined effect of NW Natural's proposed revisions is a decrease in annual revenue of \$9.2 million (9.3 percent). The bill impact of the combined rate revisions on a residential customer with a monthly average consumption of 58 therms will be a decrease of \$12.87, from \$90.12 to \$77.25, or 14.3 percent.

Customer Comments

In September, all of the companies distributed the required customer notices for their proposed rate changes effective November 1, 2023. Three comments were received opposing Cascade's proposed rate increase; one comment was received in support of PSE's proposed rate decrease. No comments were received regarding Avista's and NW Natural's rate decreases.

Conclusion

Staff analyzed the companies' filings, including the companies' workpapers, and concluded that the revised rates filed by each of the four gas utilities accurately reflect the cost of providing gas to its customers. Staff finds that these filings are in the public interest.

Staff recommends that the Commission take no action, thereby allowing the tariff sheets filed by Avista, Cascade, NW Natural, and PSE to become effective November 1, 2023, by operation of law.