AVISTA

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Ms. Amanda Maxwell
Executive Director and Secretary
Washington Utilities and Transportation Commission
621 Woodland Square Loop SE
Lacey, Washington 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-Seventh Revision Sheet 150 canceling **Twenty-Sixth Revision Sheet 150**
Twenty-Sixth Revision Sheet 155 canceling **Sub. Twenty-Fifth Revision Sheet 155**
Eleventh Revision Sheet 149 canceling **Tenth 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 increase of $8.1 million, or 3.0 percent, effective November 1, 2023. 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	$ (0.06834)	$ (0.00550)	$ (0.07384)	$ (0.02700)	$ (0.10084)
Fixed income	102	$ (0.06834)	$ (0.00550)	$ (0.07384)	$ (0.02700)	$ (0.10084)
Large General	111	$ (0.06834)	$ (0.00625)	$ (0.07459)	$ 0.16874	$ 0.09415
Large General	112	$ (0.06834)	$ (0.00625)	$ (0.07459)	$ -	$ (0.07459)
Interruptible	131	$ (0.06834)	$ (0.00435)	$ (0.07269)	$ -	$ (0.07269)
Interruptible	132	$ (0.06834)	$ (0.00435)	$ (0.07269)	$ -	$ (0.07269)

Commodity Costs

The estimated Weighted Average Cost of Gas ("WACOG") change is a decrease of $0.06834 per therm. The proposed WACOG $0.30156 per therm compared to the present WACOG of $0.36990 per therm included in rates. The natural gas market in the western US experienced a period of extreme pricing volatility this winter due to a confluence of fundamental factors in the region. Prolonged colder than average temperatures region wide, combined with below average hydro generation led to a market where gas fired electric generators and LDC's were competing for a limited supply of natural gas.

Generally speaking, the electric interconnection between the Pacific Northwest and California played a key role in the price volatility in the region. California has in recent years relied on imports of power from the Northwest to balance its system in the winter. Lower than average precipitation during the fall reduced hydro output in the northwest this year which forced Mid-C power prices high enough to disincentivize power exports to California. California's only option to cover the missing imports was to increase gas-fired generation which put additional pressure on the natural gas market. These conditions persisted for most of the winter and forced both generators and LDC's to rely on storage withdrawals more than usual. Storage balances throughout the region were drawn down earlier than normal which put even more upward pressure on the market. Prices at most West Coast trading hubs were consistently 5 to 10 times higher than they have been for the past several years. The exception was the AECO hub in western Canada which was not affected by the supply constraints experienced south of the Canadian border.

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.

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 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 59% of estimated annual load requirements for the PGA year (November 2023 through October 2024) has been hedged at a fixed-price derived from the Company's Plan. Through June, the hedge volumes for the PGA year have been executed at a weighted average price of $3.67 per dekatherm ($0.3674 per therm).

Available underground storage capacity at the Jackson Prairie Natural Gas Storage Facility represents approximately 24% of annual load requirements (31% of load requirements during the December to March withdrawal period). The estimated WACOG for all storage volumes is $2.01 per dekatherm ($0.2009 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, 2023 to develop an estimated cost associated with index purchases. These index purchases represent approximately 17% of estimated annual load requirements for the coming year. The annual weighted average price for these volumes is $2.25 per dekatherm ($0.2246 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 $0.00550 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.

Schedule 155 / Amortization Rate Change

After the Company's initial annual 2022 PGA filing in Docket UG-220670, the Company, with Commission Staff's support, proposed that the surcharge deferral balance collected through Schedule 155 ("Gas Rate Adjustment - Washington") be collected through "seasonal" rates in an effort to mitigate the overall increase for residential customers during the winter. Therefore, the billing rate for customers taking service under Schedule 101 and Schedule 102 included a Schedule 155 surcharge rate of $0.08358 per therm for November 1, 2022 through April 30, 2023 and $0.33089 per therm for May 1, 2023 through October 31, 2023. Due to this, although annual revenues collected through Schedule 155 are increasing overall compared to the prior PGA year, annual billed revenue at proposed rates will decrease, when compared to annual revenue at current rates in effect for customers taking service on Schedules 101 and 102 and those customers will see a decrease to their billing rates in comparison to billing rates currently in effect.

Related to the commodity portion of the amortization, as discussed above, prices increased significantly during the winter months before decreasing, and stabilizing in the Spring. Related to the demand portion of the amortization, as a result of Northwest Pipeline's most recent General Rate Case, the Company received a refund of approximately $4.6 million attributable to Washington customers that was recorded, in its entirety, as an offset to current year demand costs and included in the current PGA year deferral balance. Additionally, demand costs are impacted by a variety of factors including the Canadian exchange rate, demand volumes, and changes in pipeline rates.

Higher commodity prices, reflective of a combination of the before mentioned factors, has resulted in a surcharge balance of approximately $61.2 million as of July 31, 2023. The Company included estimated amortization through October 2023 decreasing the balance for amortization by $5.9 million to $55.3 million.

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 2023 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 $8.1 million in annual natural gas revenue, or 3.0%, in comparison to billing rates currently in effect. The present bill for a residential customer using 67 therms is $96.78 while the proposed bill is $90.02, a decrease of $6.76 or 7.0%. 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