

ORDER NO. 24-395

ENTERED Oct 31 2024

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UG 495

In the Matter of

AVISTA CORPORATION dba AVISTA
UTILITIES,

Advice No. 24-02-G, Purchased Gas Cost
Adjustment, Schedule 461 and 462.

ORDER

DISPOSITION: STAFF'S RECOMMENDATION ADOPTED

At its Special Public Meeting on October 29, 2024, the Public Utility Commission of Oregon adopted Staff's recommendation in this matter. The Staff Report with the recommendation is attached as Appendix A.

BY THE COMMISSION:



Alison Lackey
Chief Administrative Law Judge



A party may request rehearing or reconsideration of this order under ORS 756.561. A request for rehearing or reconsideration must be filed with the Commission within 60 days of the date of service of this order. The request must comply with the requirements in OAR 860-001-0720. A copy of the request must also be served on each party to the proceedings as provided in OAR 860-001-0180(2). A party may appeal this order by filing a petition for review with the Circuit Court for Marion County in compliance with ORS 183.484.

ITEM NO. RA3

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
SPECIAL PUBLIC MEETING DATE: October 29, 2024**

REGULAR X **CONSENT** **EFFECTIVE DATE** November 1, 2024

DATE: October 21, 2024

TO: Public Utility Commission

FROM: Anna Kim

THROUGH: Caroline Moore and Scott Gibbens **SIGNED**

SUBJECT: AVISTA UTILITIES:
(Docket No. UG 495/Advice No. 24-02-G)
Reflects changes in the cost of purchased gas and the amortization rate
for the Purchased Gas Adjustment (PGA) balancing account.

STAFF RECOMMENDATION:

Staff recommends approval of Avista Corporation dba Avista Utilities' (Avista, AVA, or Company) Advice No. 24-02-G, which updates the Company's 2024 annual Purchase Gas Adjustment (PGA) tariff sheets, for service rendered on and after November 1, 2024.

DISCUSSION:

Issue

Whether the Public Utility Commission of Oregon (Commission) should approve Avista's 2023 annual PGA as reflected in its Advice No. 24-02-G.

Applicable Rule or Law

ORS 757.205 requires public utilities to file all rates, tolls, and charges with the Commission. ORS 757.210 provides that the Commission may approve tariff changes if they are fair, just, and reasonable. Filings that make any change in rates, tolls, charges, rules, or regulations must be filed with the Commission at least 30 days before the effective date of the changes.

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ORS 757.259(5) states that unless subject to an automatic adjustment clause, amounts deferred under ORS 757.259 shall be allowed in rates only to the extent authorized by the Commission in a proceeding under ORS 757.210 to change rates and upon review of the utility's earnings at the time of application to amortize the deferral. The Commission may require that amortization of deferred amounts be subject to refund. The Commission's final determination on the amount of deferrals allowable in the rates of the utility is subject to a finding by the Commission that the amount was prudently incurred by the utility.

ORS 757.259(6) states that the overall average rate impact of the amortizations authorized under this section in any one year may not exceed three percent of the utility's gross revenues for the preceding calendar year. ORS 757.259(7) allows the Commission to consider an overall average rate impact greater than that specified in subsection (6) for natural gas commodity and pipeline transportation costs incurred by a natural gas utility, if the Commission finds that allowing a higher amortization rate is reasonable under the circumstances.

OAR 860-022-0025 requires that revised tariff filings include statements showing the change in rates, the number of customers affected and resulting change in annual revenue, and the reasons for the tariff revision.

OAR 860-022-0030 requires that tariff filings which result in increased rates include statements showing the number of customers affected, the annual revenue under existing schedules, the annual revenue under proposed schedules, the average monthly bills under existing and proposed schedules, and the reasons supporting the proposed tariff.

The PGA mechanism was originally established by Order No. 89-1046 to minimize the frequency of gas cost-related rate changes and the fluctuation of rate levels pursuant to ORS 757.259(2)(e). Since the mechanism's creation in 1989, the Commission has issued a series of orders concerning PGA filings through open-docket UM 1286.¹ Order No. 18-144 is the most recent of these orders, and revises the Commission's procedures and requirements of the Natural Gas Portfolio Development Guidelines in Docket No. UM 1286 by adding language concerning review and approval of long-term hedging instruments in a local distribution company's (LDC) natural gas portfolio. No changes were made to the PGA Filing Guidelines previously established in Order No. 14-238.

¹ Order No. 08-504 established the form of the PGA Mechanism. PGA Guidelines were acknowledged by the Commission in Docket No. UM 1286, Order No. 09-248, on June 23, 2009. The Guidelines in Docket No. UM 1286 have been modified four different times since they were first acknowledged by the Commission, in Order No. 10-197, in Order No. 11-196, in Order No. 14-238, and in Order No. 18-144.

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On December 16, 2021, the Department of Environmental Quality (DEQ) adopted the Oregon Climate Protection Program (CPP) rules, which set a cap on greenhouse gas emissions from transportation fuels and natural gas. These rules were invalidated in December 2023 by the Oregon Court of Appeals following challenges by multiple parties.

Analysis

On July 31, 2024, Avista submitted Advice 24-02-G, which constitutes its annual PGA filing (Initial 2024 PGA Filing). On September 13, 2024, Avista supplemented its initial filing (Supplemental 2024 PGA Filing), which updated its commodity costs. In aggregate, the filings are commonly referred to as the 2024 PGA Filing. The 2024 PGA Filing is comprised of two parts: a forward-looking part (Projected Purchased Gas Cost for the 2024–2025 Gas Year) and a backward-looking part (True-Up of the 2023–2024 Gas Year).

In 2023–2024, prices came in lower than expected: \$2.50 in 2023 and \$2.30 in 2024 to date—much lower than the forecasted \$3.24/MMBtu from the 2023 PGA. This time last year, the EIA forecasted a Henry Hub price of \$2.58/MMBtu for 2023 and \$3.24/MMBtu for 2024.

Several factors led to decreased natural gas prices:

- Winters were mild, reducing demand. A milder winter 2023 and fall 2024 resulted in slightly decreased demand and lower prices. However, in general, the EIA expects relatively little change in energy bills from last winter to this winter as lower prices will mostly offset colder weather for winter 2024.
- Production is high and increasing. For 2024 as a whole, production is expected to average 103 Bcf/d (similar to 2023), and then rise to a new record of 105 Bcf/d in 2025.
- Storage is full. Storage inventories were built up above the five-year average which resulted in less gas injected this past injection season (April-October); forecasted working inventories by the end of October are expected to be the most in U.S. storage since November 2016.
- A healthy GDP growth and inflation rate have increased demand for production inputs.

In 2025 prices are expected to increase from 2024 actuals. The EIA forecasts an average \$3.10 in 2025, which is higher than the current average for 2024, but lower than last year's forecast for 2024.

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- The EIA forecasts Henry Hub to average \$3.10 in 2025. This is compared to the lower historic averages of \$2.50 in 2023 and \$2.30 in 2024 to date.
- Power production, industrial processes, and LNG exports are key drivers of increased demand and price expected in 2025.
- LNG exports are expected to hit new records in 2025, which will increase total demand as new export terminals crank up operations and tap into the growing global use of natural gas. In contrast, demand was driven by domestic consumption in 2024.
- Prices along the west coast remain relatively high in contrast to gas purchased at AECO. Utilities who rely in part on west coast pipelines may see higher prices than others.

For more information, please see RA1 - 2024 PGA Overview.

The Projected Purchased Gas Cost for the 2024–2025 Gas Year includes the costs of natural gas for the upcoming gas year (i.e., November 1, 2024 to October 31, 2025) and results in the new rates set forth in Schedule 461.² The True-Up of the 2023–2024 Gas Year trues up the costs of natural gas in the previous gas year (November 1, 2023 to October 31, 2024) by comparing the amount collected from customers in that year with the actual costs incurred by the Company in the same year.³ Any over or under-collection from customers in the 2023–2024 Gas Year, together with any over or under-collection from previous years,⁴ is either given back (in the case of over-collection) or surcharged (in the case of under-collection) to customers in the upcoming gas year. The True-Up of the 2023–2024 Gas Year results in the new rates set forth in Schedule 462.⁵

Projected Purchased Gas Cost for the 2024–2025 Gas Year (Rate Schedule 461)

The Projected Purchased Gas Cost for the 2024–2025 Gas Year comprises two rate components: 1) the commodity component rate and 2) the capacity or demand component rate. The rates for these components are represented in Table 1 on a dollar per therm basis.

² Schedule 461 is titled “Purchased Gas Cost Adjustment Provision - Oregon.”

³ The 2023–2024 Gas Year began November 1, 2023, and concludes October 31, 2024. However, per page 10 of Appendix A to Order No. 14-238 in Docket No. UM 1286 (See: <https://apps.puc.state.or.us/orders/2014ords/14-238.pdf>), all deferrals to be amortized into rates will be based on June deferral balances plus interest for July–October, and the deferrals that occur after June will be carried forward to the next PGA period.

⁴ Any over-collection or under-collection from previous years is because actual volumetric sales of natural gas will always be different from forecasted volumetric sales. Since amortizations are intended to be recovered in volumetric forecasted sales, a remaining balance will always be present.

⁵ Schedule 462 is titled “Gas Cost Rate Adjustment - Oregon.”

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Table 1: Projected Purchased Gas Cost for 2024-2025⁶
 (\$/Therm or as noted otherwise)

Item	Current Rate	Proposed Rate	Change
Commodity	0.33928	0.27787	(0.06141)
Demand	0.15645	0.15493	(0.00152)
Total Gas Cost	0.49573	0.4328	(0.06293)

The commodity component of the weighted average cost of gas (WACOG) proposed for the 2024–2025 Gas Year is decreasing by \$0.06293 per therm, a decrease of 12.7 percent from the previous PGA gas year, as shown in Table 1. Last year, wholesale natural gas prices were predicted to decrease. As stated above, gas prices are predicted to continue to decline from the last year’s prediction.

The proposed demand component reflects a decrease of approximately 0.00152 per therm, a decrease of one percent from the previous PGA gas year.

Sharing Election

Avista again elects 90/10 sharing.

Filing and Portfolio Guidelines

Avista’s 2024 PGA Filing meets the PGA Filing Guidelines and the Natural Gas Portfolio Guidelines (Portfolio Guidelines). Avista has demonstrated its adherence to these Guidelines with regard to natural gas supplies and financial hedges.⁷ Staff’s conclusions are supported by the Company’s comprehensive work papers and by review and discussion as part of the quarterly PGA meetings.

Staff reviewed Avista’s forecasted commodity and demand costs to determine whether the Company complied with the Commission’s Portfolio Guidelines. Accepted “best practices” for the purchase of natural gas supply by a local distribution company (LDC) results in a portfolio that balances the objectives of reliability, cost control, and managing price volatility using diversity, flexibility, and balance in a LDC’s gas portfolio. The Portfolio Guidelines implement these “best practices” for Oregon LDCs. The

⁶ These values are addressed in “2024 Confidential Oregon PGA Work papers (09.13.24) UPDATE FOR COVID Tariff 467”, sheets: Calculation - Commodity and Calculation - Demand.

⁷ The Portfolio Guidelines require gas utilities to include certain information related to their gas supply portfolio with their annual PGA filing. Staff’s analysis of and conclusions regarding Avista’s natural gas supply portfolio and related purchasing strategies and actions are based on the Portfolio Guidelines provided in Docket No. UM 1286.

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Portfolio Guidelines also require each gas utility to include certain information related to its gas supply portfolio with its annual PGA filing. This information assists the Commission in determining the prudence of the LDC's costs.

Avista's portfolio preparation and planning process meets the standards in Section III of the Portfolio Guidelines related to portfolio planning, as do Avista's physical gas contracts and financial transactions related to natural gas pricing. Avista has also demonstrated its adherence to the Portfolio Guidelines with regard to natural gas supplies and financial hedges. In addition, Avista has provided all the information called for in Section IV (Information and Work Papers), and Section V (Supporting Data and Analysis) of the Portfolio Guidelines.

True-Up of the 2023-2024 Gas Year (Schedule 462)

Table 2: True-Up of the 2023–2024 Gas Year⁸
 (\$/Therm or as noted otherwise)

Item	Current Rate	Proposed Rate	Change
Commodity Amortization ⁹	(\$0.03504)	(\$0.12110)	(\$0.08606)
Demand Amortization ¹⁰	(\$0.01985)	\$0.01709	\$0.03694
Total Amortization	(\$0.05489)	(\$0.10401)	(\$0.04912)

Deferral and amortization of residual gas costs from the current and previous PGA periods results in a ratepayer credit of approximately \$5.8 million due to over-collection in the last year. The over-forecast in commodity prices combined with a smaller under-forecast in demand produces an overall credit. There is a forecasted decrease of commodity amortization of approximately \$9 million for the period from November 2024 to October 2025 compared to the period from November 2023 to October 2024.¹¹ This credit will decrease the gas commodity amortization price by \$0.08606 per therm after accounting for the commodity cost variance sharing between the Company and customers. There is also a forecasted increase of demand amortization of approximately \$3.2 million for the November 2024 to October 2025 period is forecast compared to the period from November 2023 to October 2024.

⁸ Addressed in work paper: "2024 Confidential Oregon PGA Work papers (09.13.24) UPDATE FOR COVID Tariff 467", sheet: Calculation – Amortization.

⁹ These figures are for Weighted Average Cost of Gas (WACOG) Deferral only.

¹⁰ These figures are for Firm Demand Deferral only.

¹¹ Addressed in work paper: "2024 Confidential Oregon PGA Work papers (09.13.24) UPDATE FOR COVID Tariff 467", sheet: Attachment C.

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The percentage changes in Table 3 below reflect the change in revenues resulting from the PGA filing, and five other advice filings with an effective date of November 1, 2024, related to the non-base rate portion of the Company's gross revenues for the 2023–24 gas year based on projected customer usage and differs from the three percent calculation.¹²

Table 3: Overall Commodity and Related Schedule Revenue and Rate Impact
 (\$ or as noted otherwise)

Schedule	Description	Total Revenues at Current Rates	Revenue Increase / (Decrease)	Change (%)
410	Residential	\$26,741,061	(\$7,070,258)	-26%
420	General	\$14,035,966	(\$4,068,506)	-29%
424	Large General	\$1,945,986	(\$646,781)	-33%
440	Interruptible	\$5,145,487	(\$3,241,552)	-63%
444	Seasonal	\$87,894	(\$29,225)	-33%
456	Transportation	(\$76,114)	\$2,842	NA
Total Commodity Only		\$47,880,280	(\$15,053,480)	-31%

Note that Table 3 addresses the aggregate impact of the PGA and associated dockets, while Table 4 addresses only the Company's 2024 PGA.

Table 4 below reflects only the change in revenues related to the gas commodity portion of the Company's gross revenues, (Purchased Gas Cost Adjustment Provision; Schedule 461) and amortization of previous deferrals (Gas Cost Rate Adjustment; Schedule 462) for the 2024–25 gas year based on projected customer usage.

¹² Addressed in work paper: "2024 Confidential Oregon PGA Work papers (09.13.24) UPDATE FOR COVID Tariff 467", sheets: Attachment A Adjust Sched. Summary and Attach B Adjust. Sched. Detail.

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Table 4: PGA ONLY Revenue and Bill Impact¹³
 (\$ or as noted otherwise)

Schedule	Description	Total Revenues at Current Rates	Revenue Increase / (Decrease)	Change (%)
410	Residential	\$23,803,669	(\$6,050,269)	-25%
420	General	\$12,946,156	(\$3,290,575)	-25%
424	Large General	\$1,884,637	(\$479,025)	-25%
440	Interruptible	\$5,244,958	(\$2,542,315)	-48%
444	Seasonal	\$84,855	(\$21,568)	-25%
456	Int. Transportation	\$0	\$0	
Overall PGA Only		\$43,964,275	(\$12,383,752)	-28%

Table 5: 2024-2025 PGA (Including OCAT)
 Proposed Residential Rate & Bill Impacts ¹⁴

Average Therms	Customer Charge	Current Monthly Bill	Proposed Monthly Bill	Change in Monthly Bill	% Change in Bill
January					
96	\$11.25	\$132.33	\$119.76	(\$12.57)	-9.5%
Annual / Monthly					
47	\$70.53	\$70.53	\$64.38	(\$6.15)	-8.7%

Three Percent Test

Pursuant to ORS 757.259(6), ORS 757.259(7), and OAR 860-027-0300, the annual average rate impact of the amortizations authorized under the statutes may not exceed three percent of the natural gas utility's gross revenues for the preceding calendar year unless the Commission finds that allowing a higher amortization rate is reasonable under the circumstances.

¹³ Addressed in work paper "2024 Confidential Oregon PGA Work papers (09.13.24) UPDATE FOR COVID Tariff 467", sheet: Attach B Adjust Sched Detail.

¹⁴ Addressed in work paper: "2024 Confidential Oregon PGA Work papers (09.13.24) UPDATE FOR COVID Tariff 467", sheets: Attachment A Adjust Sched. Summary and Attachment D.

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The resulting annual average rate impact from the PGA amortization and five other filings calculated in accordance with ORS 757.259 is a decrease in rates compared to the Company's 2023 total gross revenues, which is below the three percent amortization limitation specified in ORS 757.259(6).¹⁵

Conclusion

Avista's 2024 PGA filing, and five other advice filings filed on July 31, 2024, reflect a revenue decrease of \$15.1 million, effective November 1, 2024.

With all changes addressed herein, effective November 1, 2024, the monthly bill of a residential customer using an average of 47 therms per month will decrease by \$6.15, or -8.7 percent, from \$70.53 to \$64.38.

Avista has reviewed this memo and agrees with its contents.

PROPOSED COMMISSION MOTION:

Approve Avista's Advice No. 24-02-G, which updates the Company's 2024 annual PGA tariff sheets, for service rendered on and after November 1, 2024.

¹⁵ The five other filings are: UG 496, UG 497, UG 498, UG 499, and UG 500.

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Attachment A: Avista Corp 2024 PGA and Related Dockets

Incremental Revenue Change by Customer Rate Schedule (Inclusive of prior COVID Deferral Costs)¹⁶

(Red) indicates negative numbers.

Customer Rate Schedule	Description	Gas Costs and Adjustment Revenues at Current Rates ¹⁷	Gas Costs and Adjustment Revenues at Proposed Rates	Incremental Change in \$ Revenue	% Change by Rate Schedule	% Contribution to Total Incremental Change
410/411	Residential	\$26,741,061	\$19,670,803	(\$7,070,258)	-26.4%	47.0%
420	Small Commercial and Industrial	\$14,035,966	\$9,967,460	(\$4,068,506)	-29.0%	26.9%
424	Large Commercial and Industrial	\$1,945,986	\$1,299,205	(\$646,781)	-33.2%	4.3%
425	Transportation	\$0	\$0	\$0	0.0%	0.0%
439	Interruptible Transportation	\$0	\$0	\$0	0.0%	0.0%
440	Interruptible	\$5,145,487	\$1,903,935	(\$3,241,552)	-63.0%	21.4%
444	Seasonal	\$87,894	\$58,669	(\$29,225)	-33.3%	0.2%
456	Transportation	(\$76,114)	(\$73,272)	\$2,842	3.7%	0.0%
	Overall	\$47,880,280	\$32,826,800	(\$15,053,480)	-31.4%	100.0%

¹⁶ Values are drawn from "2024 Confidential Oregon PGA Work papers (09.13.24) UPDATE FOR COVID Tariff 467", sheet: Attach A Adjust Sched Summary in work papers.

¹⁷ Revenue at "Current" does not reflect current revenues, but rather what the revenues would be if existing rates continued to be in effect during the upcoming year (i.e., current rates times forecasted therms). There will be small differences with the Advice filings.

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Attachment B: Avista Corp. 2024 PGA and Related Dockets

Incremental Revenue Change by Adjustment Schedule¹⁸

(Red) indicates negative numbers.

Adjustment Schedule	Description	Gas Cost & Adjustment Schedule Total Revenue at Current Rates	Gas Cost & Adjustment Schedule Total Revenue at Proposed Rates	Total Incremental Change in Revenue	% Change by Rate Schedule	% Contribution to Total Incremental Change
461	Purchase Gas Adjustment	\$49,389,381	\$42,803,511	(\$6,585,870)	-13%	44%
462	Purchase Gas Cost Amortization	(\$5,425,106)	(\$11,222,988)	(\$5,797,882)	-107%	39%
467	COVID Deferred Costs	\$0	(\$204,645)	(\$204,645)		1%
469	Public Purposes	\$3,286,767	\$3,286,767	\$0	0%	0%
475	Decoupling	\$98,935	(\$4,102,280)	(\$4,201,215)	-4246%	28%
476	Intervenor Funding	\$127,376	\$148,146	\$20,770	16%	0%
478	Demand Side Management	\$0	\$0	\$0	0%	0%
482	Regulatory Fees Amortization	\$106,128	\$40,874	(\$65,254)	-62%	0%
486	Tax Customer Credit	(\$2,494,441)	(\$2,494,441)	\$0	0%	0%
487	Deferred Tax Credit	\$0	\$0	\$0	0%	0%
493	LIRAP	\$2,791,240	\$4,571,859	\$1,780,619	64%	-12%
	Overall	\$47,880,280	\$32,826,803	(\$15,053,477)	-31%	100%

¹⁸ Values are drawn from "2024 Confidential Oregon PGA Work papers (09.13.24) UPDATE FOR COVID Tariff 467", sheet: Attach B Rate Schedule Summary in work papers.

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Attachment C: Avista Corp. 2024–2025 PGA Three Percent Test¹⁹
 (Red) indicates negative numbers.

	Surcharge	Rebate
Prior Period Gas Cost Deferral True-Up	\$0	(\$11,223,256)
<u>Non-Gas Cost Amortization</u>		
Decoupling (Advice No. 24-03-G)	\$0	(\$4,201,216)
Intervenor Funding (Advice No. 24-04-G)	\$148,824	\$0
Regulatory Fees (Advice No 24-05-G)	\$40,602	\$0
LIRAP (Advice No 24-06-G)	\$1,485,671	\$0
COVID (Advice No 24-07-G)	\$0	(\$204,870)
Subtotal	\$1,675,097	(\$15,629,342)
Total		(\$13,954,245)

Total Proposed Amortization (Surcharge Less Credits)	(\$13,954,245)
Less intervenor Funding	(\$148,824)
Net Proposed Amortization (subject to the 3% test)	(\$14,103,069)
Utility Gross Revenue 2023	\$171,339,357
3% of Utility Gross Revenue	\$5,140,181
Allowed Amortization	(\$14,103,069)
Allowed Amortization as % of Gross Revenues	0%

¹⁹ Values are drawn from “2024 Confidential Oregon PGA Work papers (09.13.24) UPDATE FOR COVID Tariff 467”, sheet: Attachment C.

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Attachment D: 2024—2025 PGA
 Proposed Rate & Bill Increases by Class of Service²⁰

(Red) indicates negative numbers.

		Rate Impacts ²¹			
Class of Service	Rate Schedule	Current Rate per Therm	Proposed Rate per Therm	Change Rate per Therm	% Change Rate per Therm
Residential					
Avista	410/411	\$1.26	\$1.13	(\$0.13)	-10.40%
Commercial					
Avista	420	\$1.20	\$1.06	(\$0.14)	-11.50%
Industrial					
Avista	424	\$0.60	\$0.45	(\$0.15)	-25.30%
Interruptible					
Avista	440	\$0.41	\$0.23	(\$0.19)	-45.40%

²⁰ Values are drawn from “2024 Confidential Oregon PGA Work papers (09.13.24) UPDATE FOR COVID Tariff 467”, sheet: Attachment D in work papers.

²¹ The residential rates illustrated above do not include pass-through charges included on customer bills that utilities are required to collect and distribute to the appropriate third parties, such as for franchise fees or the Public Purposes Charge.