

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UG 523

In the Matter of

AVISTA CORPORATION dba AVISTA
UTILITIES,

Advice No. 25-02-G, Purchased Gas Cost
Adjustment, Schedule 461 and 462.

ORDER

DISPOSITION: STAFF'S RECOMMENDATION ADOPTED

At its Special Public Meeting on October 28, 2025, 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 28, 2025**

REGULAR X **CONSENT** **EFFECTIVE DATE** October 31, 2025

DATE: October 20, 2025

TO: Public Utility Commission

FROM: Anna Kim and Zhuoyi Zhao

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

SUBJECT: AVISTA UTILITIES:
 (Docket No. UG 523/Advice No. 25-02-G)
 Reflects changes in the cost of purchased gas and the amortization rate
 for the Purchased Gas Adjustment balancing account.

STAFF RECOMMENDATION:

Staff recommends approval of Avista Corporation dba Avista Utilities' (Avista, AVA, or Company) Advice No. 25-02-G, which updates the Company's 2025 annual Purchase Gas Adjustment (PGA) tariff sheets, for service rendered on and after October 31, 2025.

DISCUSSION:

Issue

Whether the Public Utility Commission of Oregon (Commission) should approve Avista's annual PGA as reflected in its Advice No. 25-02-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.

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

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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). The PGA includes an annual update to forecasted purchased gas costs for the upcoming year and a true up of the variance between forecasted gas costs and actual gas costs for the preceding year, subject to sharing. Since the mechanism's creation in 1989, the Commission has issued a series of orders concerning PGA filings through open-docket UM 1286.¹ In Order No. 09-248, the Commission adopted Natural Gas Portfolio Development Guidelines and PGA Filing Guidelines. In Order No. 18-144, the Commission revised the Portfolio Development Guidelines by adding language concerning review and approval of long-term hedging instruments in a local distribution company's (LDC) natural gas portfolio. In Order No. 25-308, the Commission amended the PGA Filing Guidelines by changing the rate effective date from November 1 to

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 five 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, in Order No. 18-144 and in Order No. 25-308.

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October 31 to comply with Oregon HB 3179, which prohibits rate increases between November 1 and March 31.

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. The DEQ adopted new rules implementing the CPP on November 21, 2024.

Analysis

On July 31, 2025, Avista submitted Advice 25-02-G, which includes updates to Schedule 461 – Purchased Gas Cost Adjustment Provision and Schedule 462 – Gas Cost Rate Adjustment. On September 12, 2025, Avista filed its Supplemental 2025 PGA Filing, which updated its commodity costs for Schedule 461 as required by the PGA Filing Guidelines.

The Projected Purchased Gas Cost for the 2025–2026 Gas Year includes the costs of natural gas for the upcoming gas year and results in the new rates set forth in Schedule 461.² The True-Up of the 2024–2025 Gas Year trues up the costs of natural gas in the previous gas year 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 2024–2025 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, subject to sharing and an earnings test. The True-Up of the 2024–2025 Gas Year results in the new rates set forth in Schedule 462.⁵

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

³ The 2024–2025 Gas Year began November 1, 2024, and concludes October 30, 2025. 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. For example, in this filing, deferrals to be amortized into rates will be based on June 2025 deferral balances plus interest for July–October 2025.

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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Filing and Portfolio Guidelines

The Natural Gas Portfolio Guidelines (Portfolio Guidelines) 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 2025 PGA filing is compliant with the PGA Filing Guidelines and Portfolio Guidelines. Avista supplied sufficient information regarding its natural gas supplies and financial hedges.⁶ Avista also filed comprehensive work papers and reviewed data and led discussions on its portfolio as part of the quarterly PGA meetings.

Staff reviewed Avista's change to its winter hedging policy and does not find any concerns at this time. Staff was not fully able to evaluate the efficacy of past hedging, as the Company was not able to evaluate what the past 10 years of hedged gas would have cost had the Company not hedged it. However, Staff agrees that there is an increase in volatility. The Company evaluated several alternatives to increasing the winter hedging targets, including financial and physical options targeting only peak events, discretionary hedging outside of the risk model, and theoretical forecast modeling adjustments. Each alternative faces some challenges. The most obvious alternative, options targeting peak events, were found to be uneconomically priced, as the volatility that has led to the divergence between prior winter hedging policy and actual load is also priced into these peak options. Discretionary hedging outside of the model would achieve some of the same outcomes as the change to the overall hedging policy, but adds a risk of human judgment and general exposure. Forecast modeling adjustments appear to be of questionable value, given the periodic nature of various elements impacting the forecast. As such, Staff does not raise any objection to Avista's proposed winter hedging policy changes, but does request that Avista track the value, and counterfactual market value, of each hedge over the next 5 years to help evaluate future winter hedging policy.

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.

⁶ 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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Ratepayer Impacts

The Projected Purchased Gas Cost for the 2025–2026 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.

Table 1: Projected Purchased Gas Cost for 2025-2026⁷
 (\$/Therm or as noted otherwise)

Item	Current Rate	Proposed Rate	Change
Commodity	0.27787	0.26490	-0.01297
Demand	0.15493	0.18101	0.02608
Total Gas Cost	0.43280	0.44591	0.01311

The commodity component of the weighted average cost of gas (WACOG) proposed for the 2025–2026 Gas Year is decreasing by \$0.01297 per therm, a decrease of 4.7 percent from the previous PGA gas year, as shown in Table 1. This is the second year of gas price declines. This time last year (October 2024), the EIA forecasted a Henry Hub price of \$2.30/MMBtu for 2024 and \$3.10/MMBtu for 2025. Henry Hub is trading near \$3.50/MMBtu this year (about \$1.30 higher than last year and higher than forecasted last year). The EIA forecasts an additional increase of 80 cents in 2026. Monthly average natural gas spot prices at northwestern U.S. and western Canada border pricing hubs (Sumas and Westcoast Station 2) reached historic lows in 2024 through October, according to data from Natural Gas Intelligence. Robust natural gas production in western Canada, where output has generally increased over the last two years, and high natural gas inventories in the region contributed to the low prices.

The proposed demand component reflects an increase of approximately 0.02608 per therm, an increase of 16.8 percent from the previous PGA gas year. This increase is mainly driven by changes in pipeline contracts forecasted to be in effect during the upcoming PGA year compared to what was forecasted in last year's filing.

⁷ These values are addressed in "2025 Confidential Oregon PGA Workpapers (09.12.25)", sheets: Calculation - Commodity and Calculation - Demand.

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Table 2 shows the rate change due to the true-up of costs from the previous year.

Table 2: True-Up of the 2024–2025 Gas Year⁸
 (\$/Therm or as noted otherwise)

Item	Current Rate	Proposed Rate	Change
Commodity Amortization ⁹	(\$0.12110)	(\$0.16741)	(\$0.04631)
Demand Amortization ¹⁰	\$0.01709	\$0.02792	\$0.01083
Total Amortization	(\$0.10401)	(\$0.13949)	(\$0.03548)

As mentioned above, the true-up of forecasted and actual costs is subject to sharing and an earnings test conducted the Spring before the PGA. Prior to filing the PGA each year, each gas utility must elect a sharing percentage for the upcoming Gas Year. The percentage elected by the utility will dictate the benchmark for the earnings test. Avista elected 90/10 sharing for the previous gas year, which applies to this year's true-up costs. The Spring earnings review showed that the 2024 type 1 adjusted return on equity was 8.850 percent, well below the gas earnings threshold for Avista of 10.500 percent.

Deferral and amortization of residual gas costs from the current and previous PGA periods results in a ratepayer credit of approximately \$16.1 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, which is larger than the credit returned last year. The gas commodity amortization price decreases by an additional \$0.04631 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 \$0.01083 per therm.

Several factors led to the moderate natural gas prices we have seen in 2025 so far:

- The previous winter was mild, reducing demand. However, extreme weather events like the January 2024 cold snap show the use of natural gas, which provided almost three-quarters of energy consumed in our region during these events.
- Production is high and flat, which outpaced consumption at the start of the 2025 injection season.

⁸ Addressed in work paper: "2025 Confidential Oregon PGA Workpapers (09.12.25)", 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.

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- U.S. natural gas storage levels remain above average through the injection season (April through October). Natural gas inventories grew quickly in late April through early June, with seven consecutive weeks of net injections to inventories exceeding 100 Bcf each. Generally, this only occurs about three weeks per year.

For more information, please see the presentation for RA1 - 2025 PGA Overview.

Table 3 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 2025–26 gas year based on projected customer usage.

Table 3: PGA ONLY Revenue and Bill Impact¹¹
 (\$ or as noted otherwise)

Schedule	Description	Total Revenues at Current Rates	Revenue Increase / (Decrease)	Change (%)
410	Residential	\$17,467,956	(\$1,188,474)	-7%
420	General	\$9,867,006	(\$671,325)	-7%
424	Large General	\$1,758,145	(\$119,620)	-7%
440	Interruptible	\$3,525,051	(\$1,332,940)	-38%
444	Seasonal	\$56,580	(\$3,850)	-7%
456	Int. Transportation	\$0	\$0	N/A
Overall PGA Only		\$32,674,738	(\$3,316,209)	-10%

The percentage changes in Table 4 below reflect the residential rate impact resulting from the PGA filing, and six other advice filings with an effective date of October 31, 2025. Please see Attachment D for rate impacts on other schedules.

¹¹ Addressed in work paper "2025 Confidential Oregon PGA Workpapers (09.12.25)", sheet: Attach B Adjust Sched Detail.

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Table 4: 2025-2026 PGA and Related Dockets
 Proposed Residential Rate & Bill Impacts ¹²

Average Therms	Customer Charge	Current Monthly Bill	Proposed Monthly Bill	Change in Monthly Bill	% Change in Bill
January					
92	\$11.25	\$125.60	\$129.11	\$3.51	2.79%
Annual / Monthly					
46	\$11.25	\$68.43	\$70.18	\$1.75	2.56%

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.

The resulting annual average rate impact from the PGA amortization and six other filings calculated in accordance with ORS 757.259 is an increase of 2.87 percent in rates compared to the Company's 2024 total gross revenues, which is below the three percent amortization limitation specified in ORS 757.259(6).¹³

Conclusion

Avista's 2025 PGA filing, and six other advice filings with a rate effective date of October 31, reflect a revenue increase of \$4.1 million, effective October 31, 2025.

With all changes addressed herein, effective October 31, 2024, the monthly bill of a residential customer using an average of 46 therms per month will increase by \$1.75, or 2.56 percent, from \$68.43 to \$70.18.

Avista has reviewed this memo and agrees with its contents.

¹² Addressed in work paper: "2025 Confidential Oregon PGA Workpapers (09.12.25)", sheets: Attachment A Adjust Sched. Summary and Attachment D.

¹³ The six other filings are: ADV 1752, ADV 1753, ADV 1754, ADV 1755, ADV 1756, and ADV 1757.

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PROPOSED COMMISSION MOTION:

Approve Avista's Advice No. 25-02-G, which updates the Company's annual PGA tariff sheets, for service rendered on and after October 31, 2025.

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Attachment A: Avista Corp 2025 PGA and Related Dockets
 Incremental Revenue Change by Customer Rate Schedule¹⁴
 (Red) indicates negative numbers.

Customer Rate Schedule	Description	Gas Costs and Adjustment Revenues at Current Rates ¹⁵	Gas Costs and Adjustment Revenues at Proposed Rates	Incremental Change in \$ Revenue	% Change by Rate Schedule	% Contribution to Total Incremental Change
410/411	Residential	\$22,656,967	\$24,681,144	\$2,024,177	8.93%	48.80%
420	Small Commercial and Industrial	\$11,906,790	\$13,168,413	\$1,261,623	10.60%	30.41%
424	Large Commercial and Industrial	\$1,725,793	\$2,019,842	\$294,049	17.04%	7.09%
425	Transportation	\$0	\$0	\$0	0.00%	0.00%
439	Interruptible Transportation	\$0	\$0	\$0	0.00%	0.00%
440	Interruptible	\$3,909,778	\$4,330,257	\$420,479	10.75%	10.14%
444	Seasonal	\$55,887	\$65,328	\$9,441	16.89%	0.23%
456	Transportation	\$532,393	\$670,809	\$138,416	26.00%	3.34%
	Overall	\$40,787,608	\$44,935,793	\$4,148,185	10.17%	100.00%

¹⁴ Values are drawn from "2025 Confidential Oregon PGA Workpapers (09.12.25)", sheet: Attach A Adjust Sched Summary in work papers.

¹⁵ 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. 2025 PGA and Related Dockets
 Incremental Revenue Change by Adjustment Schedule¹⁶
 (Red) indicates negative numbers.

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	\$44,618,993	\$45,489,655	\$870,662	2%	21.0%
462	Purchase Gas Cost Amortization	(\$11,944,255)	(\$16,131,126)	(\$4,186,871)	-35%	-100.9%
463	Climate Protection Program (CPP)	\$0	\$687,387	\$687,387	100%	16.6%
467	COVID Deferred Costs	(\$201,355)	\$0	\$201,355	100%	4.9%
469	Public Purposes	\$12,114,335	\$12,114,335	\$0	0%	0.0%
475	Decoupling	(\$4,441,732)	\$3,779,320	\$8,221,052	185%	198.2%
476	Intervenor Funding	\$149,748	\$209,476	\$59,728	40%	1.4%
482	Regulatory Fees Amortization	\$43,108	\$29,771	(\$13,337)	-31%	-0.3%
486	Tax Customer Credit	(\$2,485,555)	(\$2,485,555)	\$0	0%	0.0%
488	Tax Customer Credit	(\$1,663,821)	(\$1,663,821)	\$0	0%	0.0%
493	LIRAP	\$4,598,145	\$2,906,350	(\$1,691,795)	-37%	-40.8%
	Overall	\$40,787,611	\$44,935,792	\$4,148,181	N/A	100%

¹⁶ Values are drawn from “2025 Confidential Oregon PGA Workpapers (09.12.25)”, sheet: Attach B Rate Schedule Summary in work papers.

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Attachment C: Avista Corp. 2025–2026 PGA Three Percent Test¹⁷
 (Red) indicates negative numbers.

	Surcharge	Rebate
Prior Period Gas Cost Deferral True-Up		(\$16,129,403)
Non-Gas Cost Amortization		
Decoupling (Advice No. 25-03-G)	\$3,779,320	
Intervenor Funding (Advice No. 25-04-G)	\$209,476	
Regulatory Fees (Advice No. 25-05-G)	\$29,771	
LIRAP (Advice No. 25-06-G)	\$408,766	
CPP (Advice No. 25-07-G)	\$687,334	
Subtotal	\$5,114,667	(\$16,129,403)
Total		(\$11,014,736)

Total Proposed Amortization (Surcharge Less Credits)	(\$11,014,736)
Less intervenor Funding	(\$209,476)
Net Proposed Amortization (subject to the 3% test)	(\$11,224,212)
Utility Gross Revenue 2024	\$144,378,437
3% of Utility Gross Revenue 2024	\$4,331,353
Allowed Amortization	(\$11,224,212)

¹⁷ Values are drawn from “2025 Confidential Oregon PGA Workpapers (09.12.25)”, sheet: Attachment C.

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Attachment D: 2025–2026 PGA and Related Dockets
 Proposed Rate & Bill Increases by Class of Service¹⁸

(Red) indicates negative numbers.

Class of Service	Rate Schedule	Rate Impacts ¹⁹			
		Current Rate per Therm	Proposed Rate per Therm	Change Rate per Therm	% Change Rate per Therm
Residential	410/411	\$1.24	\$1.28	\$0.04	3.1%
Commercial	420	\$1.15	\$1.19	\$0.04	3.7%
Industrial	424	\$0.47	\$0.52	\$0.05	11.7%
Interruptible	440	\$0.29	\$0.31	\$0.02	6.4%

¹⁸ Values are drawn from “2025 Confidential Oregon PGA Workpapers (09.12.25)”, sheet: Attachment D in work papers.

¹⁹ 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.