



Purchased Gas Adjustment (PGA)

Each local natural gas company purchases gas for delivery to its core customers. The cost of this gas is a “cost of doing business” for the gas company and is not intended to allow the company to make any profit from the purchases. The costs for gas purchases are recovered annually through a Purchased Gas Adjustment (PGA).

If the PGA functions as designed, each core customer pays only actual gas costs, with no mark-up or profit for the company.

Why do natural gas rates adjust each year?

Natural gas prices are constantly changing, depending on the time of the year, how much natural gas consumers and businesses are using, and how much natural gas supply is being produced. Instead of constantly changing natural gas rates on customer bills every month, natural gas rates are adjusted once a year and go into effect November 1 each year as part of the required annual Purchased Gas Adjustment (PGA) filings. The PGA filing is made up of two pieces: a forward-looking portion (the projected purchased gas cost for the upcoming gas year) and a backward-looking portion (the true-up of the previous gas year), which leads to the gas rate customers are charged for natural gas in the upcoming year.

How is the natural gas rate adjustment determined?

The PGA will take into account actual customer usage as well as the cost of gas, and compare it against the forecast each gas utility used in their previous PGA filings. Some years, the prior year forecast amount exceeds actual costs, which means that a surplus of funds are collected by a gas utility that need to be credited back to customers in the next PGA. When this happens, natural gas rates generally stay level or may decrease.

On the other hand, if a forecast for the cost of gas was too low in the previous PGA, a surcharge may be needed to “make-up” for this under collection, which would likely increase customer gas rates. Additionally, if the prior year PGA had a large credit from an over collection that is not replaced with an equally large credit in the current PGA, this would likely increase rates.

Do gas prices typically increase or decrease in Oregon each year?

Updated natural gas prices go into effect November 1 each year. Since 2009, residential rates have decreased more than they have increased for the three regulated natural gas service providers (Avista Utilities, Cascade Natural Gas Corp., and NW Natural).

How does the PUC ensure gas prices don't fluctuate drastically for customers?

The PUC has also instituted a sharing arrangement for Oregon gas companies regarding natural gas costs. Under this arrangement, gas costs above or below the projected monthly cost per therm approved by the PUC in October each year, are shared between the company and its core customers. This is intended to provide an incentive to gas companies to minimize both gas cost and gas cost variability. Annually, the PUC reviews the gas costs proposed for recovery from core customers by each Oregon gas company. This is done to ensure the costs are reasonable and prudent, and that the company has taken all available steps to keep the costs as low and stable as possible. Additionally, gas cost increases are limited to 3 percent of a gas utility's gross revenues from the previous calendar year, unless otherwise permitted by the Oregon Public Utility Commission (PUC).

Is the PGA the only reason natural gas rates could adjust?

The PGA does not reflect customer bill impacts from separate rate case filings submitted by the natural gas utilities. Unlike the PGA, rate case filings are NOT required annually. Rate cases generally deal with investments in physical plant and infrastructure needed for safe and reliable operations, prudent operating costs incurred by the utility, staffing costs for maintaining the utility's systems, delivering gas purchases to customers, and expansions to utility infrastructure due to customer growth.

A gas company is allowed to recover the cost of investments and expenses in its rates approved by the Oregon Public Utility Commission (PUC), along with a reasonable and prudent return on its investment.

View this page for additional information on rate case filings:
<https://www.oregon.gov/puc/utilities/Pages/Rates-Tariffs.aspx>.