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## Fact Sheet

### **Purchased Gas Adjustment (PGA)**

Natural gas utilities buy gas on the wholesale market and deliver it to customers. The utility does not earn a profit on the cost of the gas itself—these are pass-through costs. Each year, utilities recover these costs through the Purchased Gas Adjustment (PGA) filing with the Oregon Public Utility Commission (PUC).

#### **Why do natural gas rates adjust each year?**

Natural gas prices fluctuate throughout the year based on supply, demand, weather, and production levels. In place of adjusting customer rates monthly, utilities update natural gas costs once each year, with new rates taking effect November 1.

The annual PGA has two parts:

- Forward-looking: the projected cost of natural gas for the upcoming year
- Backward-looking: the true-up comparing last year's forecast to actual costs

Together, these determine the gas rate customers pay for the next year.

#### **How is the annual rate adjustment determined?**

The PGA compares actual customer usage and actual gas costs to what the company forecasted the previous year.

- If the company collected more than needed, the surplus is credited back to customers, which can keep customer rates the same or lower them.
- If a utility collected less than needed, a surcharge may be added to recover the difference, which can increase customer rates.

**Do natural gas prices usually go up or down?**

New natural gas prices take effect each year on November 1. Since 2009, residential rates for Oregon's three regulated natural gas utilities—Avista, Cascade Natural, and NW Natural--have decreased more than they have increased.

**How does the PUC limit price swings for customers?**

The PUC uses a cost-sharing arrangement to reduce volatility. If actual gas costs differ from the projected cost per therm, the difference is shared between the utility and its customers. This encourages utilities to keep costs low and stable.

Each year, the PUC reviews the gas costs proposed for recovery to ensure they are reasonable, prudent, and as stable as possible.

Additionally, natural gas cost increases are limited to 3% of a utility's gross revenues from the previous year, unless the PUC approves otherwise.

**Is the PGA the only reason natural gas rates might change?**

No, the PGA does not include impacts from rate case filings, which are separate and not required annually. Rate cases address investments in infrastructure needed for safe and reliable operations, operating and staffing costs, system maintenance, and expansion to serve new customers.

Utilities may recover these costs, along with a reasonable return on investment, if approved by the PUC.