SCHEDULE 177
PURCHASED GAS COST ADJUSTMENT PROVISION

APPLICABLE
This schedule applies to all schedules for natural gas sales service within the entire territory served by the Company in the State of Oregon. The definitions and provisions described herein shall establish the natural gas costs for Purchased Gas Adjustment (PGA) deferral purposes on a monthly basis.

PURPOSE
The purpose of this provision is to allow the Company, on established Adjustment Dates, to adjust rate schedules for changes in the cost of gas purchased in accordance with the rate adjustment provisions described herein.

ADJUSTMENT DATES
The Adjustment Date shall be November 1 of each year for changes in annual gas costs. The Company may file out-of-cycle PGA adjustments to be effective at times other than November 1 of each year, if the sum of the Company's annual Actual Commodity Costs and Actual Non-Commodity Costs differs from the sum of the annual Embedded Commodity Costs and Embedded Non-Commodity Costs by 10 percent or more, or for such other reasons and on such terms as the Commission may approve.

DEFINITIONS
1. Actual Commodity Cost: The natural gas supply costs for commodity actually paid for the month, including Financial Transactions, fuel use, and distribution system lost and unaccounted for natural gas (LUFG) plus Gas Storage Facilities withdrawals, plus or minus the cost of natural gas associated with pipeline imbalances, plus propane costs, plus odorization charges, less Commodity Off-System Sales Revenues received during the month, plus actual Variable Transportation Costs, plus commodity-related reservation charges, less all transportation demand charges embedded in commodity costs.

2. Commodity Off-System Sales Revenues: Revenues received from the sale of natural gas to a party other than the Company's Oregon sales customers less costs associated with the sales transactions.

3. Variable Transportation Costs: Variable transportation costs, including pipeline volumetric charges, and other variable costs related to volumes of commodity delivered to sales customers.

4. Actual Non-Commodity Cost: Actual Non-Commodity gas costs shall be equal to actual Demand Costs, less actual Capacity Release benefits, plus or minus actual pipeline refunds or surcharges.

5. Demand Costs: Fixed monthly pipeline costs and other demand-related natural gas costs such as capacity reservation charges, plus any transportation demand charges embedded in commodity costs.

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SCHEDULE 177
PURCHASED GAS COST ADJUSTMENT PROVISION

DEFINITIONS (continued)

1. Capacity Release Benefits: This component includes revenues associated with pipeline capacity releases. The benefits to customers, through the monthly PGA deferrals, shall be 100% of the capacity release revenues up to the full pipeline rate, and 80% of the capacity release revenues in excess of full pipeline rates. Capacity release revenues shall be quantified on a transaction-by-transaction basis.

2. Estimated Weighted Average Cost of Gas (WACOG): The estimated WACOG for the period November 1st through October 31st is calculated by the following formula: (Forecasted Purchases at Adjusted Contract Prices) divided by (forecasted sales volumes). This WACOG does not include any revenue sensitive factors.
   a. Forecasted Purchases means this year's forecasted sales volumes plus a percentage for distribution system LUFG and pipeline fuel in kind.
   b. Distribution system embedded LUFG means the 5-year average of actual distribution system LUFG, not to exceed 2%.
   c. Adjusted contract prices means actual and projected contract prices that are adjusted by each associated Canadian pipeline's published (closest to August 1) fuel use and line loss amount provided for by tariff, and by each associated U.S. pipeline's tariffed rate.

3. Estimated Non-Commodity Cost: Estimated annual Non-Commodity gas costs shall be equal to estimated annual Demand Costs, less estimated annual Capacity Release Benefits, plus or minus estimated annual pipeline refunds or surcharges.

4. Estimated Non-Commodity Cost per Therm: The Estimated Non-Commodity cost per therm is calculated by the following formula: (Estimated annual Non-Commodity Cost divided by forecasted sales volumes). This estimate does not include any revenue-sensitive factors.

The Estimated Cost of Gas per therm is as follows:

	Cost of Gas Per Therm	Revenue Sensitive Costs	Cost of Gas Per Therm Rate	
WACOG	$0.27260	3.06%	$0.28120	(I)
Non-Commodity Cost	$0.14550	3.06%	$0.15009	(I)
TOTAL	**$0.41810**	**3.06%**	**$0.43129**	(I)

10. Actual Monthly Calendar Sales Volumes: Actual billed sales therms, adjusted for estimated unbilled therms, for firm and interruptible sales schedules.

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DEFINITIONS (continued)

11. Embedded Commodity Cost: The Estimated WACOG multiplied by the Actual Monthly Calendar Sales Volumes.

12. Embedded Non-Commodity Cost: The Estimated Non-Commodity Cost per Therm multiplied by the Actual Calendar Sales Volumes less interruptible sales volumes.

13. Financial Transactions: Cost of Financial Transactions related to gas supply, including but not limited to, hedges, swaps, puts, calls, options and collars that are exercised to provide price stability/control or supply reliability for sales service customers.

14. Gas Storage Facilities: The cost of natural gas for injections shall be the actual cost of purchasing gas for storage and the cost of injection of the gas into the storage facility. Withdrawals of natural gas shall be valued at the weighted average cost of gas in the facility plus any variable withdrawal costs. Only the cost of natural gas withdrawn from Gas Storage Facilities will be included in the Actual Commodity Cost, as defined herein.

CALCULATION OF MONTHLY GAS COST FOR DEFERRAL PURPOSES

The Company will maintain sub-accounts OF Account 191. Monthly entries into these sub-accounts shall be made to reflect the differences between: 1) the monthly Actual Commodity Cost and the monthly Embedded Commodity Cost, and 2) the monthly Actual Non-Commodity Costs and the monthly Embedded Non-Commodity Cost. The entries shall be calculated as follows:

1. A debit or credit entry shall be made equal to 100% of the difference between the Actual Non-Commodity Cost and the Embedded Non-Commodity Cost.

2. A debit or credit entry shall be made equal to 90% of the difference between the Actual Commodity Costs and the Embedded Commodity Costs.

3. Differentials shall be deemed to be positive if the actual cost exceeds embedded costs and to be negative if actual costs fall below embedded costs.

4. The cost differential entries shall be debited to the Account 191 sub-accounts if positive, and credited to the Account 191 sub-accounts if negative.

5. Interest: The Company shall compute interest on deferred balances on a monthly basis using the interest rate(s) approved by the Commission.

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SCHEDULE 177
PURCHASED GAS COST ADJUSTMENT PROVISION

AMORTIZATION OF ACCOUNT 191 SUB-ACCOUNT DEFERRALS

The Account 191 sub-account balances shall be amortized over the twelve month period commencing with the November 1 adjustment date or such other time period acceptable to the Company and the Commission. The amount of amortization for the Account 191 sub-accounts shall consist of an amount necessary to recover or return the amount accumulated in the sub-accounts and other deferral accounts.

TIME AND MANNER OF FILINGS

Applications must be made no later than sixty days in advance of the effective date.

AMOUNT OF ADJUSTMENT

The amount of adjustment to be made to customers' rates effective on each November 1 adjustment date shall consist of the sum of the changes in the Embedded Commodity Cost and Non-Commodity Cost and the change in amortization rates of the PGA Balancing Accounts as well as other deferral accounts as the Commission may approve.

GENERAL TERMS

This schedule is subject to the General Rules and Regulations contained in this tariff and to those prescribed by regulatory authorities. This schedule is an automatic adjustment clause as described in ORS 757.210(1) and is subject to the customer notification requirements as described in OAR 860-022-0017.

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2/28/2017