



# Understanding Purchased Gas Cost Adjustments

The purchased gas cost adjustment, or PGA, is a regulatory tool that allows companies to more accurately charge for natural gas costs without going through a lengthy rate case. This factsheet explains the process of setting natural gas rates.

## What is a purchased gas cost adjustment (PGA)?

A PGA is a regulatory tool used by the Utilities and Transportation Commission (UTC) to adjust the price of natural gas to reflect the changing cost of gas in the wholesale market. The single largest cost of operating a gas company is purchasing gas to sell to customers.

As companies buy gas from producers, prices fluctuate over time. The PGA allows gas companies to periodically adjust prices to reflect the increasing or decreasing cost of gas. Gas companies must file PGAs at least every 15 months, or they must file documents to show that a rate change is not necessary within 13 months of the effective

date of their last PGA ([Washington Administrative Code 480-90-233](#)).

The total cost of gas is passed through to customers. This means that the company does not earn a return on or lose any money on the cost of prudently incurred gas costs.

## How does this help the customer?

Without the PGA process, companies would be required to file general rate increases—filings that take 11 months to process—to reflect ever-changing natural gas market costs. The PGA is a more efficient



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process than a rate case. Customers also benefit by seeing gas rate decreases more quickly reflected in rates.

### How does the UTC evaluate requests for gas cost adjustments?

Commission staff investigate PGA requests to ensure the rates accurately recover the cost of gas. The UTC only allows the actual cost of gas to be passed to customers. The UTC has the authority to set final rates that may vary from company requests, depending on results of the staff audit.

### When is a decision made on a natural gas rate request?

Under state law, rate requests filed by companies become effective automatically unless the UTC acts on the request before the noted effective date. Generally the commission has 30 days to act on a company's request. UTC staff will make its recommendations at a regularly scheduled commission open meeting. Open meetings are usually held every other Thursday at the commission headquarters. Visit [www.utc.wa.gov](http://www.utc.wa.gov) for the open meeting schedule.

### Where can I find a copy of a company's filing?

Copies of company filings will be available from the UTC Records Office at (360) 664-1234 or online at [www.utc.wa.gov](http://www.utc.wa.gov).

