

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of the Petition of

AVISTA CORPORATION, d/b/a AVISTA
UTILITIES,

Petitioner,

For an Order Approving Deferred
Accounting for Costs Related to the
November 2023 Williams Northwest
Pipeline Outage

DOCKET UG-230914

ORDER 01

GRANTING ACCOUNTING
PETITION

BACKGROUND

- 1 On November 9, 2023, Avista Corporation d/b/a Avista Utilities (Avista or Company) filed with the Washington Utilities and Transportation Commission (Commission) a petition (Petition) for an accounting order under WAC 480-07-370(3) authorizing Avista to utilize deferred accounting treatment for costs associated with the November 2023 Williams Northwest Pipeline Outage.
- 2 On November 8, 2023, a natural gas transmission pipeline owned and operated by Williams Pipeline (Williams) south of Spokane, Washington was damaged by a local farmer who was digging to install an irrigation drain field. Avista contracts with Williams to provide wholesale natural gas transportation across the line in question for services to customers in the Albion, Palouse, Moscow-Pullman, and Lewiston-Clarkston regions in eastern Washington and northern Idaho. The outage caused a loss of pressure in Avista's system, resulting in outages to approximately 36,000 retail and commercial customers, on a system basis.
- 3 Williams was able to repair and repressurize the pipeline by the end of the day on Thursday, November 9, 2023. In the meantime, Avista worked with the American Gas Association to secure mutual aid support from utility gas personnel throughout the region, as well as local heating, ventilation, and air conditioning personnel. As the Williams pipeline came online, Avista worked to turn off all impacted customer meters, began the process of purging and repressurizing its system, and ensured that all mutual aid support was properly onboarded and qualified to work in the field.

- 4 By Friday, November 10, 2023, Avista had fully purged and repressurized its system, had hundreds of two-person crews ready to be deployed into the field, and was able to begin the relight process. Avista approached the relight process by working through multiple zones, each receiving dedicated field personnel as needed. The restoration effort experienced throughput rates as high as 890 relights per hour, with each two-person crew averaging as many as four to five relights per hour.
- 5 Avista notes that it restored natural gas service to most of its affected customers as of November 21, 2023. As gas was being restored to customers, Avista distributed thousands of space heaters and hundreds of blankets for critical care or otherwise impacted customers and engaged proactively with customers throughout the process to help them understand and prepare for the restoration process.
- 6 In its Petition, Avista requests approval to record deferred costs associated with the outage as a regulatory asset in Federal Energy Regulatory Commission (FERC) Account 186, *Miscellaneous Deferred Debits*. The Company also proposes to include a carrying cost equal to Avista's authorized rate of return set in the Company's last general rate case of 7.03 percent.
- 7 Avista contends that the Williams pipeline outage is an extraordinary circumstance justifying deferred accounting treatment because it is beyond the Company's control and the related costs are material.
- 8 Commission Staff (Staff) recommends that the Commission grant the Petition subject to the following conditions: 1) the Company will defer the costs, net of insurance and third-party recoveries, associated with this outage, and 2) the Company may accrue interest using Avista's actual weighted cost of debt instead of the Company's authorized overall rate of return. Staff believes that the use of actual cost of both short- and long-term debt best compensates the Company for its cost of capital for costs incurred in connection with the Williams pipeline outage, and that the Company should be compensated for its actual cost of acquiring capital. Staff recommends that the interest rate be updated semi-annually, on January 1 and July 1, to give the utility a more accurate and current cost of debt, and to lower the administrative burden of updating every quarter.
- 9 In Staff's discussion with the Company, it was noted that Avista does not oppose either of the recommended conditions.

DISCUSSION

- 10 We agree with Staff's recommendation and grant Avista's Petition, subject to the conditions recommended by Staff noted in paragraph 8 of this Order. Additionally, we agree that the Williams Northwest Pipeline outage is an extraordinary circumstance because it creates costs beyond the Company's control and that tracking the related costs in FERC Account 186, *Miscellaneous Deferred Debits*, is appropriate. The associated costs related to this outage shall be deferred net of insurance and third-party amounts recovered by Avista.
- 11 Regarding the appropriate interest rate, Staff believes the actual cost of debt more appropriately accounts for the cost of both short- and long-term debt for this specific deferral. Therefore, we adopt Staff's recommendation and condition for Avista's deferral of outage related costs, net of insurance and third-party recoveries, associated with this outage and accrual of interest at the Company's actual weighted cost of debt,¹ updated semi-annually on January 1 and July 1.

FINDINGS AND CONCLUSIONS

- 12 (1) The Commission is an agency of the State of Washington, vested by statute with the authority to regulate the rates, rules, regulations, practices, accounts, securities, transfers of property, and affiliated interests of public service companies, including investor-owned electric and natural gas companies.
- 13 (2) Avista is a public service company regulated by the Commission, providing service as an electric and natural gas company.
- 14 (3) The Commission has jurisdiction over the subject matter of this proceeding and over Avista.
- 15 (4) WAC 480-07-370(3) allows regulated companies to file petitions including that for which Avista seeks approval in this Docket.
- 16 (5) Staff has reviewed the Petition, and recommends the Commission grant the Company's request subject to the following conditions: 1) the Company will defer costs, net of insurance and third party recoveries, associated with this outage, and

¹ As ordered in Docket UG-220912 Order 01 at 3, ¶ 17 (Jan. 26, 2023).

2) the Company may accrue interest using Avista's actual weighted cost of debt, updated semi-annually on January 1 and July 1.

17 (6) This matter came before the Commission at its regularly scheduled meeting on December 7, 2023.

18 (7) After reviewing Avista's Petition filed in Docket UG-230914 on November 9, 2023, and giving due consideration to all relevant matters and for good cause shown, the Commission finds that the Petition should be granted subject to the following conditions: 1) the Company will defer costs, net of insurance and third party recoveries, associated with this outage, and 2) the Company may accrue interest using Avista's actual weighted cost of debt, updated semi-annually on January 1 and July 1.

ORDER

THE COMMISSION ORDERS:

19 (1) Avista Corporation, d/b/a Avista Utilities' Petition for an Accounting Order Authorizing Deferred Accounting Treatment for costs associated with the November 8 Williams pipeline outage in FERC Account 186 is granted, subject to the following conditions: 1) the Company will defer costs, net of insurance and third party recoveries, associated with this outage, and 2) the Company may accrue interest using Avista's actual weighted cost of debt, updated semi-annually on January 1 and July 1.

20 (2) This Order shall not affect the Commission's authority over rates, services, accounts, valuations, estimates, or determination of costs on any matters that may come before it. Nor shall this Order granting Petition be construed as an agreement to any estimate, determination of costs, valuation of property claimed or asserted or to the possible recovery of, or return on, the amounts deferred to the regulatory asset.

21 (3) The Commission retains jurisdiction over the subject matter and Avista Corporation d/b/a Avista Utilities to effectuate the provisions of this Order.

22 The Commissioners, having determined this Order to be consistent with the public interest, directed the Acting Executive Director and Secretary to enter this Order.

DATED at Lacey, Washington, and effective December 7, 2023.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

KATHY HUNTER
Acting Executive Director and Secretary