

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND)	DOCKET UG-121501
TRANSPORTATION COMMISSION,)	
)	ORDER 01
Complainant,)	
)	
v.)	
)	COMPLAINT AND ORDER
AVISTA CORPORATION,)	SUSPENDING TARIFF REVISIONS;
)	ALLOWING RATES ON A
Respondent.)	TEMPORARY BASIS, SUBJECT TO
)	REVISION
.....)	

BACKGROUND

- 1 On September 13, 2012, Avista Corporation (Avista or Company) filed with the Washington Utilities and Transportation Commission (Commission) a revision to its currently effective Tariff WN U-29, designated as Fifteenth Revision of Sheet No. 155 Canceling Fourteenth Revision of Sheet No. 155; and Seventeenth Revision of Sheet 156 Cancelling Sixteenth Revision of Sheet 156. The stated effective date is November 1, 2012. This matter came before the Commission at its October 25, 2012, Open Meeting.
- 2 In this filing, Avista proposes to decrease rates for the Company’s Purchased Gas Adjustment (PGA) and Deferred Gas Cost Amortization mechanisms, reducing annual gas revenue by approximately \$6.5 million or 4.4 percent. Avista serves over 149,000 natural gas customers.
- 3 The PGA reflects the projected costs of purchased gas for the coming year, November 2012 through October 2013. The Company proposes an estimated residential weighted average cost of gas (WACOG) of \$0.43472 per therm (\$0.33052 commodity and \$0.10420 demand) resulting in an estimated overall annual decrease in sales revenues of approximately \$6.5 million. The proposed decrease is in large part the result of decreasing wholesale natural gas prices.
- 4 The cost of gas passed on to ratepayers includes the actual spot/index market prices, financial hedging costs, and the cost of transporting the gas from the point of purchase to the point of distribution. According to Commission Staff (Staff), the last few years have seen a sharp decline in natural gas prices, but a slower decline in the cost of gas passed

on to ratepayers. Staff suggests the possibility that locking in prices of future gas supplies through financial hedging has led to commodity costs for ratepayers being higher than what those costs would have been absent financial hedging or at least a decrease in the volumes hedged. Staff has not pre-determined the prudence of this practice for any of the natural gas utilities the Commission regulates, and Staff notes that financial hedging in the face of rising natural gas prices could benefit ratepayers.

- 5 Staff has concerns regarding the variety of procurement and hedging strategies and the differences in PGA reporting by natural gas companies the Commission regulates. Staff requests more time to investigate Avista's books, accounts, practices and activities and recommends that the Commission suspend the tariff filing so that the Commission examine hedging practices in general and determine if the rates resulting from this tariff filing are fair, just, reasonable and sufficient. Avista proposes a decrease in rates, therefore, Staff recommends that the rates become effective on November 1, 2012, on a temporary basis, subject to revision.

DISCUSSION

- 6 The Commission agrees that an investigation is warranted into the hedging and procurement practices of Avista and the other natural gas companies the Commission regulates. As Staff suggests, such practices may benefit the companies' customers under appropriate circumstances, but the Commission should investigate whether the hedging and procurement in which the companies currently engage results in rates that are fair, just, reasonable, and sufficient.

FINDINGS AND CONCLUSIONS

- 7 (1) The Washington Utilities and Transportation Commission is an agency of the State of Washington vested by statute with the authority to regulate the rates, regulations, practices, accounts, securities, transfers of property and affiliated interests of public service companies, including gas companies. RCW 80.01.040, RCW 80.04, RCW 80.08, RCW 80.12, RCW 80.16 and RCW 80.28.
- 8 (2) Avista is a natural gas company and a public service company subject to Commission jurisdiction.

- 9 (3) This matter came before the Commission at its regularly scheduled meeting on October 25, 2012.
- 10 (4) The tariff revisions Avista filed on September 13, 2012, would decrease charges and rates for service provided by Avista, and such decreases pending Commission Staff review are in the public interest.
- 11 (5) Although Avista has not yet demonstrated that the tariff revision would ultimately result in rates that are fair, just, reasonable, and sufficient, the Commission finds it reasonable to allow the rates to become effective, on a temporary basis, subject to revision.
- 12 (6) As authorized in RCW 80.04.130 and RCW 80.04.220, an investigation into this tariff filing is warranted, including an examination of Avista's books, accounts, practices and activities.
- 13 (7) Under RCW 80.04.130(4), Avista would bear the burden of proof to show that the proposed decreases are fair, just, reasonable and sufficient in the event this matter were set for hearing. Nothing in this Order is intended to limit the issues as to the fairness, justness, reasonableness and sufficiency of the proposed decreases.

ORDER

THE COMMISSION ORDERS:

- 14 (1) The tariff revisions Avista Corporation filed on September 13, 2012, are suspended.
- 15 (2) The proposed tariff revisions Avista Corporation filed on September 13, 2012, shall become effective on November 1, 2012, on a temporary basis, subject to revision.
- 16 (3) The Commission will hold hearings and conduct workshops at such times and places as may be required.
- 17 (4) Avista Corporation must not change or alter the tariffs filed in this docket during the suspension period, unless authorized by the Commission.

- 18 (5) The Commission will institute an investigation of Avista Corporation's books, accounts, practices, activities, and operations as described in this Order.
- 19 (6) Commission Staff will report to the Commission on the status of Staff's investigation no later than March 1, 2013, and that report shall include recommendations on the disposition of this tariff filing by Avista Corporation or the need for further process to make the appropriate determination.

DATED at Olympia, Washington, and effective October 31, 2012.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

JEFFREY D. GOLTZ, Chairman

PATRICK J. OSHIE, Commissioner

PHILIP B. JONES, Commissioner