1) Hedging Activities	
a) What is the purpose of hedging?	
Avista	Avista believes that the primary purpose of hedging is to layer in fixed-price purchases to provide a level of price certainty for customers. While this may provide for greater cashflow certainty as a byproduct, that is not a driver.
Puget Sound Energy, Inc.	The goal of hedging is to lower volatility of customer supply costs by reducing exposure to higher natural gas prices. An important element in a utility hedge program is balancing price protection with potential hedging costs. The annual PGA provides stability within a one year period, and PSE's multi-year hedging program provides stability across PGA periods.
Cascade	To minimize exposure to price volatility.
NW Natural	The purpose of hedging is to help ensure the Company's objectives are met within risk tolerance levels for both customers and the Company. NW Natural views each of the three purposes for hedging described in the Commission's above question as appropriate purposes for hedging. NW Natural tends to think of these purposes more specifically as providing for cost management, risk mitigation and rate stability. NW Natural does not enter into hedges for purposes of speculating on the market, by trying to "beat" future gas prices through hedges. Instead, hedges serve the purposes prescribed above by limiting price volatility and allowing greater certainty of gas prices that will be passed on to our customers.
Public Counsel	The first question raised in the Notice is the most important – "What is the purpose of

	hedging?" All subsequent decisions as to program design and execution as well as regulatory oversight will derive from this answer, so it is worth exploring in some detail. I submit that the core purpose of hedging is to minimize customer pain associated with price (or cost) changes. That is very different than simply reducing exposure to volatility because customers' sensitivity to pain is not symmetrical, nor is it linear. The asymmetry is due to the fact that tolerance for upside cost exposure is different than the tolerance for hedge losses in downward markets.
Ellensburg	Reducing risk of price volatility. For Ellensburg hedging provides rate stability for our end user customers. We target 50% of our winter purchases to be under firm contracts or hedged, leaving the balance of our purchases on the spot market. This methodology is a good balance between a fixed price supply and the spot market.
Aether Advisors	A gas utility has a natural "short" gas position and procures supply to insure h can reliably meet customers' needs. A utility can minimize the risks of rising prices increasing natural gas rates for customers through hedging. When a gas utility locks into a natural gas price to acquire price protection, it is mitigating i.ts short price position. The act of purchasing is a deliberate action to manage costs.

b) Who should be the beneficiaries of hedging?	
Avista	The Company's goal as it relates to natural gas procurement, and hedging in particular, is to provide customers with reliable natural gas supply with a level of price certainty in a volatile commodity market. Customers are the beneficiaries of a utility hedging program that is a component of a well-defined, structured and communicated Procurement Plan.
Puget Sound Energy, Inc.	Customers. As noted above, the goal of hedging is to lower volatility by reducing exposure to higher natural gas prices for the benefit of customers.

Cascade	Ratepayers; any practice that can potentially mitigate their costs is a benefit.
NW Natural	Hedging is done on behalf of and for the benefit of the company's customers. Hedging helps reduce price volatility for customers, and provides the benefits described above. The Company does not benefit from its hedging practices directly. Hedging does reduce the volatility of natural gas supply costs, which can benefit the Company and customers through guarding against significant additional financing costs that could be associated with price changes that occur after rates are set.
Public Counsel	The reason for hedging is to reduce customer pain in severe upside markets and thereby create marginal utility for customers.
Ellensburg	Without question, the end users. At Ellensburg our retail rates reflect the actual cost of purchased natural gas each month. Ellensburg rates change slightly each month following variations in the cost of gas but end users directly benefit from hedging activities.
Aether Advisors	Utilities are hedging to protect customers against rising wholesale natural gas prices, and as a result, customers are the primary beneficiaries of hedging. Typically, the hedging cost is a pass-through cost from which the utility gains nothing, and the cost is recovered through a gas supply cost recovery such as a PGA.

c) Hedges are commonly negotiated for a fixed period of time; the time period can span from months to years. **i) Is there a sound reason to limit the time horizon that companies can contract for a hedge?** **ii) If so, what should be the maximum time horizon?** **iii) What are the advantages, if any, of hedging over a multi-year period?**	
Avista	Avista believes there should not be a limit to the time horizon that companies can contract for a hedge. Decisions related to the time horizon should be left to management's judgment. Factors such as market liquidity, demand forecasts, price and volume volatility, resource mix, economic factors, and price forecasts are all items that the Company reviews on a continuous basis and are items which help to inform the annual natural gas Procurement Plan. Advantages to hedging over a multi-year period could help to mitigate customer rate volatility between PGA years and dampen PGA and deferral account impacts.
Puget Sound Energy, Inc.	Time horizons should be determined by each utility as part of its procurement program rather than being established by the Commission. A hedging strategy should have a specific time horizon with defined goals. PSE's multi-year program aligns with typical market liquidity, increasing price diversification, decreasing the probability of unfavorable hedge concentration in any one year. Maximum time horizon is a subjective measure that is difficult to define. Factors such as market liquidity, hedging costs, and risk mitigation are key considerations for a hedging strategy. Hedging over a multi-year period provides increased price diversification. Price diversification limits the potential for high priced hedge concentration resulting from short term volatility. Multi-year hedging also increases a portfolio's flexibility to be responsive to short term market moves

Cascade	A one-size-fits-all approach is not possible as each utility will have somewhat differing perspectives based on which supply basins are applicable to its systems, its load profile, credit tolerances, whether it is doing fixed price physical purchasing or participating in the ownership of actual production, or if it may receive more advantageous pricing from a bank vs a physical supplier. In the case of Cascade, our Gas Supply Oversight Committee continuously monitors market events. For example, one of the analyses we perform on a routine basis is looking at the forward price curve .three years out compared to current prices to see what, if any pattern can be ascertained. It is our experience that a time horizon of three to five years has worked best for our hedging purposes. Multi-year hedging allows for utilities to contract for varying levels of contract sizes and duration while smoothing out the volatility over a longer range. In theory, it should promote more price stability over a longer period of time.
NW Natural	There is no reason for the Commission to formally limit the time horizon. As a practical matter, the credit requirements for hedging will tend to establish a reasonable time horizon. For example, NW Natural's policies allow it engage in financial derivatives up to five years into the future, but due to credit requirements, no authorized counterparties currently exist to do anything beyond a three-year horizon. To go beyond that period would require an alternate method for assuring credit, such as achieved by NW Natural through the acquisition of natural gas reserves. In other words, as long as the credit requirements are clearly established, an appropriate time horizon will be in place. Additionally, as explained below, there are advantages to allowing for flexibility with respect the time horizon that may be achievable under various hedging strategies. Multi-year hedging can be beneficial, even over a long-term horizon where possible. By way of a rough analogy, hedging is in some ways similar to financing decisions regarding a home purchase. Like gas costs to an LDC, a house represents a considerable expenditure

	for the typical buyer. And, the question arises whether it is better to lock in the costs of a mortgage over the long-term in a fixed-rate mortgage, or over a shorter term as in a floating rate mortgage. Although there may be no single correct answer, if mortgage rates are perceived as relatively low, then in general, locking them in for a long term is viewed as advantageous. One reason for this is the natural "skew" in most financial markets. That is, mortgage rates (like natural gas prices) can drop, but do not go below zero, while their upward trend can be virtually unlimited. So if current gas prices look relatively low, then locking them in for a multi-year period, and even the long-term, could be beneficial.
Public Counsel	The hedge horizon question is important and sometimes counter-intuitive. There are two issues that should be recognized: 1. A longer hedge horizon provides customers greater mitigation, but also a greater risk of hedge losses. 2. Half cycles for natural gas prices (top to bottom or bottom to top) tend to run from 9 to 18 months, so designing a program that executes hedges for 12 to 18 months can lead to volatile results unless hedge accumulation is well diversified. In recognition of these market realities, most robust programs described above manage a defensive horizon of about two years. This is accomplished by running risk metrics for the current PGA year and the one following. Programmatic hedges might be accumulated for a third forward year, but only up to a modest hedge ratio.
Ellensburg	There are multiple parties involved in any commodity transaction. The further out in time a purchase is made the more the selling and financial parties are going to cover their risk. For example at the end of December spot market prices at Sumas were $4.43 per MMBTU, January to March delivery contract gas was $4.62 per MMBTU. There is still some risk of another cold front driving demand and prices up before the end of March so counterparties are covering that risk with a $0.19 per MMBTU premium. It is not fiscally responsible to pay a premium to lock in a price for much beyond 3 to 5 years.

Aether Advisors	A utility has two 'levers' to manage the scale of hedging in the hedging program: the hedging program time-frame and the percent of the portfolio that will be hedged. It is common utility practice to layer in hedges over a period of time, to hedge against price spikes and to smooth rate volatility for customers. Customers care not only about a short-term rate increase, but also the cumulative. rate effect over a period of several years (medium-term time frame). Therefore it is important utilities have an integrated hedging program over a multiple-year time horizon. Hedging over a multiple year period ("medium-term" hedging) is beneficial for customers, for it provides rate continuity from one rate year to another. In addition to having a medium-term hedging program, when forward natural gas prices are low and the premium for future years' supply relative to current year costs is not large, utilities should consider long-term hedging. Long-term hedging can take the form of forward fixed price contracts, long-term derivatives or gas production (such as a gas pre-pay contract, a volumetric production payment or a reserves acquisition). When circumstances are attractive, long-term . hedging provides long-term rate stability and reliable supply for customers.

d) Companies normally hedge to a set "target" percentage of their expected load allowing the remainder of the unhedged load to be acquired on the spot market. **i) Is there a need for the Commission to limit the percent of load hedged and, if so, what should be the maximum percent hedged?** **ii) What are some of the factors affecting the amount of hedging that a utility should do?** **iii) When discussing target percentages, should the Commission distinguish between physical and financial hedging**	
Avista	The amount hedged should be determined on an annual basis by Company management during the development of the Procurement Plan, and should not be limited by a Commission rule. Further analysis of hedge percentages should be applied against load requirements on a monthly basis to ensure hedged percentages do not exceed requirements. In no instances should a utility hedge more than 100% of its forecasted load requirement. As discussed in the Company's comments to Question C above, the factors that can affect the amount of hedging a utility should do includes market liquidity, demand forecasts, price and volume volatility, resource mix, economic factors, and price forecasts. The Commission should not distinguish between physical and financial hedging. If done properly, all financial hedges should be associated with a physical index priced transaction, thus equalizing the physical and economic effects of both physical and financial hedges. Avista will financially hedge some of its load with fixed-price transactions, either with fixed-price physical purchases or with financial swaps [or futures] matched to purchases of index-priced physical products. Financial hedging is one of the tools available to Avista to create a fixed priced component for incorporation into the gas supply portfolio. The objective of using financial transactions for hedging is to increase market liquidity by introducing more potential participants to the transaction and thus providing the opportunity to acquire the supply at the lowest price available. The ultimate outcome provides price transparency leading to transactions at a lower price.

Puget Sound Energy, Inc.	Hedge percentages should be determined by utility management as part of their risk management policies and procedures rather than being prescribed by the Commission. A diversified utility hedging strategy should balance price stability with exposure to monthly base-load and spot gas pricing, but allow for customers to benefit from potential lower short term spot prices. Balancing price stability benefits with potential hedging costs are important considerations in portfolio hedging volume. Additional key components include supply basin diversity, resource mix, market liquidity and market price. There should be no distinction, as physical and financial hedge instruments can have very similar costs and risk mitigation characteristics. Physical hedges should be included in the calculation of target hedge percentages.
Cascade	No, each utility should determine the most reasonable amount to hedge, as it is the party closest to market activity and best understands its unique system requirements. Again, each utility may have different factors; for example, some LDCs might only hedge at the most expensively priced basin in their geographical area; other LDCs may because of how they are laid out geographically, while others may decide to seek hedges in multiple basins. A utility should also consider limiting the share of the portfolio that is hedged to a single counterparty. Not necessarily. Physical hedging usually takes place in the form of a fixed priced physical supply, whereas a financial derivative can be underlying a single or multiple physical supply contracts or basins. In addition, the Dodd-Frank act has prompted more transparency and reporting requirements of many commodity transactions, primarily financial derivatives and as such Cascade has chosen to rely on fixed physical priced contracts for hedging purposes.

NW Natural	As stated above, NW Natural does not believe that it is appropriate to enter into hedging transactions for purposes of speculating on the market. Instead, hedging should be directly related to the company's gas purchases for its utility sales customers. In light of this, volume limits on hedging should be no greater than the expected purchases by the LDC, with a proper accounting for weather variations and the utility's standards for what constitutes an effective hedge. Other factors that the Commission may want to consider would include:1. Ensuring that hedging reflects the basins in which an LDC purchases its gas supplies, and that the transactions occur where there is liquidity (i.e. workably competitive markets); 2. What the predictability of load is; 3. The volatility of cash and future gas prices; and 4. The level of gas prices. Physical hedging can have different risks than financial hedging, so the Commission should distinguish between the two when considering appropriate hedging strategies. And, any targets that are determined should be flexible enough to allow for the ability to take advantage of any benefits that may be gained through movement between the different forms of hedging.
Public Counsel	The maximum hedge ratio should probably be in the range of 75% to 85% of monthly forecast requirements including storage injections and net of withdrawals, but in most cases under defensive hedge protocols these levels will not be reached with actual hedges. Hopefully it is clear that I would not recommend any programmatic hedge accumulation up to that level. One risk of this hedge ceiling is that when running defensive hedge decision protocols, unhedged volumes beyond the maximum hedge ratio will make it impossible to fully constrain costs in the most severely rising markets. In my own experience, this has not been a big problem at an 85% maximum hedge ratio, but could be if ceilings are set too low.

Ellensburg	i. Is there a need for the Commission to limit the percentage of load hedged and, if so, what should be the maximum percentage? This should be up to the individual utilities governing body not the UTC. ii. Natural gas that is contracted for future delivery will almost always cost more than natural gas in a stable spot market. The purpose of hedging is to reduce exposure to the volatility of the spot market. Each utility must determine how much exposure to that volatility they are willing to accept and therefore how much hedging they will do to mitigate that risk. iii. Yes. The Commission needs to do its background on the Dodd-Frank Act. The U.S. Commodity Futures Trading Commission has very robust oversight and comprehensive regulations that governs the commodity marketplace to lower risk, promote transparency and protect the American public. This is new for commodity traders and utilities and has added complexity to the Base Agreements needed to purchase energy. The U.S. Commodity Futures Trading Commission will take precedence over the State UTC in these matters so do your homework. In general utilities should only use physical hedging because they need to take delivery of the product for their end users. Financial hedging relies more on banks and has more risk associated with it. Physical hedging is done to provide rate stability to end users not make a profit, or loss, in the financial market place.
Aether Advisors	As opposed to focusing on the percentage hedged, the Commission might find it more effective to review the utility's risk tolerance. This would be the strategic underpinning to the utility's hedging program In terms of selecting physical versus financial hedging, will depend upon market conditions, derivatives regulation, administrative costs, counterparty arrangements, and the physical location of the utility's pipeline receipt points. Another utility may decide that it doesn't want to deal with new CFTC regulation relating to financial derivatives, and prefer to transact in physical markets where it may have counterparties willing to transact at a fixed price.

e) Should the Commission consider providing an incentive mechanism allowing for sharing of gains as well as losses associated with a company's hedging practices? **i) What should be the benchmark?** **ii) What are the challenges in developing an incentive mechanism?**	
Avista	No, an incentive mechanism should not be employed. While Avista utilizes a Procurement Plan for purchasing natural gas for its customers, the Company is a "price taker" in that market forces outside of the Company's control drive natural gas prices. As such, while the Company strives to procure natural gas at competitive prices, market fluctuations could cause the Company's actual cost of gas to vary substantially from the embedded cost of gas. Because the Company cannot predict future market prices, there is essentially no opportunity for Avista to benefit from an incentive mechanism related to hedging, i.e., the Company realistically cannot design a hedging program to "beat the market." The primary purpose of a hedging program is to provide a certain level of price stability for customers over time, not to attempt to beat the market.
Puget Sound Energy, Inc.	The Commission should not consider an incentive mechanism that allows for sharing of gains or losses specifically related to a utility's hedging practices. Doing so would convert the cost management and price risk-avoidance purpose of hedging for the benefit of customers into a profit-driven trading function for the utility, with a high potential for unintended consequences.
Cascade	No . .Jf it is agreed that the purpose of hedging is to mitigate volatile gas costs and there is a purchase gas adjustment process for recovery of gas costs, then no. However, the Commission issued a policy statement in 1997 providing guiding principles regarding the use of incentive mechanisms for gas procurement.

NW Natural	No. NW Natural believes that such an incentive mechanism related to hedging would send the signal that the LDCs should try to be "market timers" rather than prudent managers of their gas costs. In other words, it would introduce the element of speculation into hedging strategies, which NW Natural believes in inappropriate. NW Natural notes that in Oregon, where there is a sharing mechanism related to WACOG gains and losses, hedges are treated differently, with the full costs of hedges entered into prior to the annual PGA filing being deferred and passed through without sharing.
Public Counsel	The Commission's Notice asked whether an incentive mechanism should be considered, whereby the company's shareholders may share in the gains or losses resulting from hedging. We are certainly mindful that currently hedging costs (or potential gains) are fully passed on to ratepayers, and that over the past several years hedging losses have been substantial. On the electric side, the Power Cost Adjustment mechanisms of Avista and PSE provide for some potential sharing of costs or gains between ratepayers and shareholders. However, gas companies are distribution companies, and do not earn any return on the commodity portion of the business. We also recognize that designing an effective, fair incentive mechanism may be highly complicated. At this time, Public Counsel is not taking a position as to whether an incentive mechanism should be considered for gas procurement, and we look forward to continuing to examine this issue in the context of this Commission inquiry.
Ellensburg	Yes. Utilities should be allowed to pass the gains as well as the differences (losses) associated with a company's hedging practices on to their end users.

Aether Advisors	Aether would be concerned that a forced incentive mechanism could cause the utilities to hedge for their own interests as opposed to hedging for the customers' interests. Since customers care more about costs rising than falling, they would be more likely to support locking in costs than not. This is because the customer is locking in cost for a tangible asset, the gas delivered to the meter. As a result, the customer "wins" if prices go up and is probably indifferent if prices go down.

f) It is feasible to develop a financial model that would provide a benchmark the Commission could use as a "safe harbor" when evaluating a company's hedging performance?	
Avista	Due to the individual nature and characteristics of each utility, e.g., access to supply basins, available storage, etc., it would be difficult to develop a "one size fits all" benchmark for comparisons. Avista believes that the Commission should rely on its own authority and prudence standard to review the hedging decisions made by the Company at the time the hedges were entered into, and whether those decisions were consistent with the Procurement Plan and Risk Management Policy in effect at that time.
Puget Sound Energy, Inc.	In theory, developing a financial model that would provide a benchmark and safe harbor for each utility may be an attractive concept for both the utilities and the Commission. In practice, the complexity involved with developing consensus around model architecture, inputs, and maintenance seems onerous and impractical. Additionally, there would need to be complex adjustments of model outputs to reflect the unique mix of assets of each utility.
Cascade	It depends on if the Commission is willing to devote the resources to work with the utilities to develop a fair mechanism. However, ultimately the Commission's current prudency guidelines should be sufficient

NW Natural	NW Natural believes that it would be difficult to develop a "safe harbor" that would be the same for each LDC and the same from year to year. However, NW Natural is certainly willing to explore this concept further.
Public Counsel	[R]isk mitigation programs deployed by investor-owned utilities on behalf of customers are often weaker than they could be, and the reason is substantially tied to the regulatory interface. Investor-owned utilities ("IOUs") fear prudence findings, and they also shy away from complicating regulatory relationships with complex proposals to improve risk mitigation. So typically, IOUs hedge customer exposures in the simplest way, minimizing market-responsive decisions because hedge decisions are subject to retrospective scrutiny. This can and should change. The only pragmatic way to do so would be for regulators to articulate meaningful guidelines for prudence review of hedge programs."
Ellensburg	Anything is feasible provided enough money is spent to properly design and implement it.
Aether Advisors	There are more appropriate techniques to measure hedging program effectiveness that range from hedging execution to risk mitigation. The first is to examine the hedging execution relative to the market prices at the time, which is appropriate for examining the utility's ability to execute hedges at close to the, forward market. A second approach is to review what was known and measureable at the time the hedging plan was executed, examining the fundamental market analysis from that point in time. By tracking this, it is possible to see how the utility adjusted to new market information. A third approach is to assess how much risk exposure was mitigated through price risk management. ·This could be done by modeling the portfolio without hedges, to see the full range in potential power and fuel costs, and then modeling the portfolio with hedges to review the differences. When a commodity portfolio with hedging is compared to one without hedging, it is possible to see the effect of the price risk management strategy.

i) Assuming the Commission decides to establish requirements or set limitations on hedging, as discussed above, by what means should the Commission act?	
Avista	Avista believes formal requirements related to hedging activities should not be prescribed. However, the Company believes that the Commission could provide general guidance on its view related to hedging and could do so through a non-binding Policy Statement.
Puget Sound Energy, Inc.	Assuming the Commission decides to establish requirements or set limitations on hedging, it should do so through utility-specific orders pertaining to the utility's hedging program.
Cascade	Non-binding policy statement-each utility is going to have unique circumstances and all strategies change as market changes.
NW Natural	Regarding the establishment of any requirements or limitations, we believe flexibility is important in order to avoid missing any opportunities that may not be fully contemplated at this time. Accordingly, any direction should provide for enough flexibility to allow appropriate deviations that may provide benefits. In this regard, something along the lines of a non-binding policy statement, as referred to above, may be appropriate if the Commission were to take this approach.
Public Counsel	Any such limitation would likely depend on the structure and sophistication of the company's hedging program, and would therefore be best addressed in the context of company-specific proceedings regarding hedging…All of these potential modifications to the PGA mechanism would likely best be accomplished by rule.
Ellensburg	Ellensburg is not experienced with how the Commission establishes process. In this case, however, we would hope there would be input from the utilities' affected in an equitable process.

Aether Advisors	No Response

2) Purchased Gas Adjustment Mechanism (PGA) - WAC 480-90-233 i)	
a) i) Should the Commission require more frequent PGA filings, such as semi-annually, quarterly or even monthly?	
Avista	Avista supports the current PGA process which provides for Staff and Commission review and approval of the current year's natural gas costs (deferral account) and the subsequent year's projected gas costs (PGA) Should the Commission desire the utilities to file more often, the Company believes that the current PGA process with the November 1 effective date should serve as a master PGA filing. That filing would seek approval of the current year's natural gas cost deferral account and the subsequent year's projected natural gas costs. Any other filing that occurs outside of the regular annual PGA should be prescriptive in nature, such as the updating of forward-index prices for unhedged volumes, so as to minimize potential preparation and review impacts to Staff, Public Counsel, the Company and other parties. A simplified format, in the Company's view, should alleviate the need for additional resources needed by the Commission..
Puget Sound Energy, Inc.	PSE's customers are best served by the current practice of annual PGA filings. The annual PGA has the benefits of rate stability, simplicity, and fairness. Moving to more frequent filings might reduce the size of periodic rate changes and produce more precise price signals. However, there are also tradeoffs to consider, such as the complexity of rates, fairness between customer classes, customer confusion and rate stability. Annual PGA rates are stable and easy to understand. By way of contrast, rates set more frequently may provide more timely price signals, but stability would be sacrificed as rates

	track market prices more closely. Under current market conditions, more close alignment with market prices would also mean that PGA commodity rates would be higher in the winter than they are in the summer, which has significant implications for customers and would be especially harsh on low income customers. Monthly rates also would be more complex, and customers could find frequent rate changes confusing. Another advantage of the current system of annual PGA filings is that the deferral amortization cycle mirrors the cost recovery cycle. Different classes of customers have different load profiles, and using an annual cycle for charging/crediting deferrals preserves the relative contributions of customer classes to over or under recoveries. Putting the deferral amortization on a different frequency than the cost recovery cycle would interrupt the seasonal relationship between customer classes' contribution to deferrals and amortization of those deferrals, potentially resulting in significant cross-subsidization among customers.
Cascade	No; more frequent PGAs do have the ability to send a more accurate or current price signal to customers and could reduce the impacts of deferral balances. However, more frequent PGAs would require additional Commission Staff and utility staff. The current PGA rule allows companies the flexibility to file PGAs more frequently than once a year if needed. and the timing is conducive.

NW Natural	NW Natural believes that it is clear that additional filings would require additional time and resources on the part of the LDCs, the Commission, its Staff and any intervenors. Accordingly, given these additional costs, there should be demonstrable benefits to customers before changing the current approach of an annual filing. Some relevant questions may include: Is short-term price elasticity observed in all customers groups such that monthly or quarterly rate changes would be expected to affect behaviors? If price elasticity is really a long-run phenomenon, then would multiple rate changes have a significant impact on consumption? Could these multiple rate changes have the reverse effect of creating a misperception that natural gas prices are more volatile than they actually are? Would multiple rate changes actually have the effect of masking changes in gas prices year to year, such that the price signal to customers would be even less clear? NW Natural believes that these issues should be more fully explored before any decision to move toward more frequent gas rate changes.
Public Counsel	Washington appears unique with our current structure of adjusting natural gas commodity rates annually through the PGA filing. The typical practice in other states is to adjust rates more frequently, such as monthly or quarterly. Public Counsel is open to considering more frequent rate adjustments. Such an approach would minimize the likelihood of large deferrals (or credits) that can result from annual true-ups. Yet, the current annual PGA mechanism has provided a certain level of price stability to customers. If the structure is modified for more frequent rate changes, we are interested as to whether that would affect utility hedging plans in any way. Also, if natural gas commodity rates are adjusted more frequently, such as quarterly, there would remain a need for a more comprehensive review of gas procurement, including hedging.

Ellensburg	Ellensburg is a municipal utility whose rates are not governed by the UTC. Our rate structure is set by our elected City Council and consists of three components; monthly purchased gas cost, a fixed distribution charge, and a fixed monthly customer charge. So Ellensburg essentially does a monthly PGA for our rates. This is not a burden and accurately reflects the cost of gas each month. We do this to avoid being in the position of playing catch up with purchased gas costs as our fellow investor owned utilities are. If the Commission is truly wanting to pass the value of hedging thru to the end users, a monthly PGA would more accurately accomplish that goal
Aether Advisors	No Response

b) Should the Commission consider a uniform PGA reporting standard allowing for i)Comparability of data ii) Staff effectiveness and efficiency?	
Avista	Avista is supportive of a uniform PGA reporting standard that would allow for the comparability of data. In Oregon, for example, Commission Staff developed several standard worksheets that each of the natural gas utilities provide in their annual PGA filings. This standardization, we believe, allows for the comparability of data, and provides for a higher level of staff efficiency

Puget Sound Energy, Inc.	PSE recognizes the challenge Commission staff face in reviewing PGAs with different presentations and work papers. Development of a common summary filed by the utilities of important PGA costs and data used in the PGA filing could improve the comparability of data between utilities and allow for staff effectiveness and efficiency while reviewing. PSE would be open to working with Commission staff and the other utilities to develop this filing summary. Any uniform PGA reporting standard should be at a relatively high level. The utilities in Washington use different models for forecasting PGA costs and the work papers are very different, even though they all forecast the same gas and delivery costs. Utilities need to retain the freedom to develop their work papers as they see fit, consistent with their gas supply portfolios, operations and rate structures. Building a common template that covers all the gas supply, storage, and transportation options the different utilities utilize to procure and deliver gas to customers, and the various tariff structures, may not be feasible.
Cascade	Yes, as much as possible, as this will help improve the ability to compare utilities, and leading to more useful analysis. This can be accomplished by the utilities meeting with staff in a technical workshop to discuss what the staff currently likes or dislikes with regard to individual companies and to build a uniform format. Because the utilities are unique a one size fits all approach may not fully work but certain aspects can be incorporated uniformly.
NW Natural	NW Natural believes it is appropriate to streamline processes and improve efficiencies, and is willing to explore these possibilities further.
Public Counsel	Public Counsel is very supportive of establishing common reporting requirements, to facilitate Commission Staff and stakeholder review of PGA and natural gas procurement filings.

Ellensburg	Yes, it would be important to have the same format in reports and data. ii. Staff effectiveness and efficiency? Hedging it not a science and does not have a right or wrong way to accomplish the goal of reducing risk. It is more an art with a projected optimal solution that requires some experience, understanding of the energy commodity market, what drives it and historic market trends..
Aether Advisors	No Response