AVISTA CORP.
RESPONSE TO REQUEST FOR INFORMATION

JURISDICTION:	WASHINGTON	DATE PREPARED:	08/28/2019
CASE NO.:	UE-190334 & UG-190335	WITNESS:	William Johnson
REQUESTER:	Public Counsel	RESPONDER:	William Johnson
TYPE:	Data Request	DEPT:	Power Supply
REQUEST NO.:	PC – 107 Supplemental	TELEPHONE:	(509) 495-4046
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REQUEST:

Re: Direct Testimony of William G. Johnson, Exh. WGJ-1T at 9.

a) Provide the monthly *forecasted* AECO gas prices underlying Avista's authorized net power costs for 2018 ($/MMBtu).

b) Provide the monthly *forecasted* Malin gas prices underlying Avista's authorized net power costs for 2018 ($/MMBtu).

c) Provide the *actual* monthly average AECO gas prices underlying Avista's authorized net power costs for 2018 ($/MMBtu).

d) Provide the *actual* monthly average Malin gas prices underlying Avista's authorized net power costs for 2018 ($/MMBtu).

e) Identify the source and date for the forecasted AECO gas prices underlying Avista's authorized net power costs for 2018.

f) Identify the source and date for the forecasted Malin gas prices underlying Avista's authorized net power costs for 2018.

g) Does Avista plan to continue to use the same sources for forecasted AECO and Malin gas prices in future calculations of authorized net power costs as it did in its calculation of 2018 authorized net power costs? If so, explain why. If not, explain what other source Avista plans to use.

h) Is it Avista's understanding that the described proliferation of natural gas production in the Northeast has now been accounted for in the gas price sources that Avista uses to forecast net power costs? If so, explain the basis for that understanding. If not, explain why Avista continues to rely on these gas price sources.

i) Was the opportunity for price arbitrage associated with the difference in prices between AECO and Malin incorporated in Avista's calculation of authorized 2018 net power costs? If so, provide all workpapers containing those calculations in native format. If not, explain why not.

SUPPLEMENTAL RESPONSE: (8/28/2019)

Please see PC-DR-107 Supplemental Attachments A, B and C. PC-DR-107 Supplemental Attachments A and B are snapshots of the worksheet that estimates the forward value of gas transport optimization daily. PC-DR-107 Supplemental Attachment A shows the $9,347,000 estimate used in the 2015 general rate cases that was included in the 2016 pro forma and formed the basis for the authorized gas transport optimization revenue for the period January through April 2018.

PC-DR-107 Supplemental Attachments B and C were used to derive the gas transport optimization revenue in the 2017 general rate case for the pro forma period May 2018 through April 2019. In the 2017 general

rate case the estimate of forward gas transport optimization revenue was tempered by the historic average and the steep increase in revenue from 2015 to 2016. Based on PC-DR-107 Supplemental Attachment B the gas transport optimization value for the May 2018 through April 2019 pro forma period was roughly $13 million. However, the remaining open position was over 60% of available transport, meaning that the majority of value was exposed to market price movement. Also, 2016 was the first year when a large AECO/Malin spreads appeared. Gas transport value increased from $6.2 million in 2015 to $11.2 million in 2016. The Company was not convinced that the spreads would remain wide enough to support a $13 million gas transport value in the pro forma period. Based on forward prices, history and price uncertainty a gas transport optimization value of $9,000,000 was included in the pro forma.

Avista has 60,000 dth/day available for forward gas transport optimization trades. Estimates of future gas transport optimization revenue include both a market component based on forward prices applied to remaining open positions and the optimization value already entered into from actual forward transactions. Together these form the total gas transport optimization estimates shown in PC-DR-107 Supplemental Attachment A and B.

RESPONSE:

A through D

Please see PC-DR-107 Attachment A - table of 2018 monthly authorized and actual gas prices for AECO and Malin. There are no forecasted gas prices underlying the authorized net power costs. They are the 3 month average of forward prices for the pro forma period. Forward prices are the prices that can be transacted, i.e., gas can be bought or sold at those prices now for future delivery. There are no actual prices underlying the authorized net power costs as actuals are not known until after the fact.

E through F

Forward gas prices are from the ICE Exchange. The authorized prices are a 3 month average of the forward prices. For the months of January through April 2018 the authorized gas price was the 3 month average of forward prices for 2016 as of 10-16-15. For the months of May through December 2018 the authorized gas price was the 3 month average of forward prices for May 2018 through April 2019 as of 3-08-17.

G

Avista does not use forecasted gas prices in developing authorized net power costs. Gas prices are actual forward prices. Avista has no plans to move away from using the 3 month average of forward prices in the calculation of net power expense, but is open to discussion of other price methodologies.

H

Forward prices are the collective view of all market participants. Avista's understanding of what knowledge influences forward prices does not change the forward prices.

I

Gas transport optimization or the spread between AECO and Malin prices was incorporated in the authorized net power costs. For the months of January through April 2018 the authorized annual gas transport optimization revenue (included in FERC Account 547) was $9,437,000. For the months of May

through December 2018 the authorized annual gas transport optimization revenue was $9,000,000. See PC-107 Attachment B.

	A	B	C	D	E	F
1		Gas Transportation Optimization				
2		Revenue ($000)				
3						
4		Mkt	Opt	Tot		5 Yr Avg
5	2010	1,970	703	2,673		
6	2011	3,968	2,293	6,261		
7	2012	5,372	744	6,116		
8	2013	11,718	-5,170	6,548		
9	2014	5,175	-433	4,742		5,268
10	2015	7,080	-879	6,201		5,974
11	2016	13,627	-2,430	11,197		6,961
12	2017	21,656	-8,026	13,630		8,464
13	2018	33,783	-13,295	20,488		11,252