



STATE OF WASHINGTON

UTILITIES AND TRANSPORTATION COMMISSION

1300 S. Evergreen Park Dr. S.W., P.O. Box 47250 • Olympia, Washington 98504-7250

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April 11, 2013

**NOTICE OF OPPORTUNITY TO FILE WRITTEN COMMENTS  
(By Monday, May 23, 2016)**

Re: Inquiry into Local Distribution Companies' Natural Gas Hedging Practices and Transaction Reporting, Docket UG-132019

TO ALL INTERESTED PERSONS:

The Washington Utilities and Transportation Commission (Commission) is continuing its inquiry of natural gas hedging and hedging practices. On March 28, 2016, the Commission held a workshop to discuss natural gas hedging issues and the need for the development of specific hedging policy. The Commission appreciates the participation of all the state's energy companies, which included four natural gas local distribution companies (LDCs) and one electric-only company, the Public Counsel Division of the Washington State Attorney General's Office (Public Counsel), and a number of other interested stakeholders who attended both by phone and in person.

The Commission wants to extend an opportunity to stakeholders to clarify and expand upon the positions expressed during the March 28 workshop. The Commission would benefit from comments on a broad set of issues, including, but not limited to an examination of traditional programmatic hedging approaches, a discussion of our process of filing, an assessment of the purchased gas adjustment filings (PGA), including annual deferrals, and other issues.

Although we ask stakeholders to respond to the specific issues and questions set forth below, the Commission's intent is to fully understand the potential costs, benefits, and complexities of the risk management approach proposed by Michael Gettings, Senior Partner, RiskCentrix, LLC, and presented in the July 2015 White Paper "*Natural Gas Utility Hedging Practices and Regulatory Oversight*" (White Paper) filed in this docket. The Commission is looking for an informed discussion of stakeholder concerns, challenges, opportunities and observations of the paper's proposed risk management methods along with discussion of inherent challenges that stakeholders see with its implementation.

We, therefore, invite stakeholders to submit comments no later than 5:00 p. m., Monday, May 23, 2016.

**Possible Issues for Comment**

1. Do you see benefits in a risk-management approach to hedging such as that presented in the White Paper as opposed to current hedging strategies used by utilities? Would the use of this methodology ultimately result in savings over traditional programmatic hedging to customers?
2. If so, what are your current in-house capabilities to implement risk-management hedging practices of the kind proposed in the White Paper?
3. What are the potential costs associated with adopting such a hedging program?
4. What transition period would be required to adopt such a program?
5. Given that several LDCs have operations in states that do not use a risk management approach to hedging, rather instead expect the use of programmatic hedging, what challenges does this Commission face in considering this situation in implementing a risk management approach to hedging?
6. How should companies assess the tolerance of customers for bill increases, due to commodity price volatility?
7. At his workshop presentation March 28, Mr. Gettings proposed that the Commission create a “rebuttable presumption” that hedging expenses were prudently incurred if a company adopted and faithfully executed a risk management hedging strategy. Can the Commission legally create such a presumption? If not, what sort of standard can the Commission offer to the gas LDCs that would mitigate against any future?
8. At the workshop, Mr. Gettings also proposed that utilities would file with the Commission a “Capability Blueprint” or similar hedging plan. By what standard would the Commission review such a filing? Could it acknowledge such a plan similar to how it reviews integrated resource plans? Should a “Capability Blueprint” be separate from a PGA filing or concurrent with it?
9. What kind of communication with or reporting to the Commission on hedging strategies is appropriate?
10. If the Commission determines that the proposals in the White Paper set out a template for hedging best practices, should the Commission proceed with a non-binding policy statement on hedging, issue a CR-101 with intent to adopt a rule, or consider other possible procedures?

**NOTICE is hereby given of the opportunity to submit written comments on the above issues to the Commission by filing with the Commission’s Executive Director and Secretary either by electronic transmission as described below, or by physical delivery to 1300 S. Evergreen Park Drive S. W., P. O. Box 47250, Olympia, Washington, 98504-7250, no later than 5:00 p. m., Monday, May 23, 2016.**

**Electronic copies.** The Commission requests that comments be provided in electronic format to enhance public access, for ease of providing comments, to reduce the need for additional paper copies, and to facilitate quotations from the comments. You may submit comments via the Commission's Web portal at [www.utc.wa.gov/e-filing](http://www.utc.wa.gov/e-filing) or by electronic mail to the Commission's Records Center at [records@utc.wa.gov](mailto:records@utc.wa.gov). Please include:

- The docket number of this proceeding (UG-132019)
- The commenting stakeholder's name
- The title and date of the comment or comments

Alternatively, you may submit comments by mailing or delivering an electronic copy on a flash drive, in pdf Adobe Acrobat format or in Word 97 or later. Include all of the information requested above. If you are unable to file your comments electronically or to submit them on a disk, the Commission will accept a paper document.

If you have questions regarding this inquiry, please contact Danny Kermode at (360) 664-1249, or you may email him at [dkermode@utc.wa.gov](mailto:dkermode@utc.wa.gov).

STEVEN V. KING  
Executive Director and Secretary