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STATE OF WASH.
UTIL. AND TRANSP.
COMMISSION

Exhibit No. _____ (MPP-6)

Docket No. UG-021584

Witness: Michael P. Parvinen

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,

Complainant,

v.

AVISTA CORPORATION d/b/a
AVISTA UTILITIES,

Respondent.

DOCKET NO. UG-021584

EXHIBIT OF

MICHAEL P. PARVINEN

STAFF OF
WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION

AVISTA CORP.'S RESPONSES TO STAFF DATA REQUEST NO. 5

July 18, 2003

WUTC DOCKET NO. UG-021584
EXHIBIT NO. 206
ADMIT ☒ W/D ☐ REJECT ☐

**AVISTA CORPORATION
RESPONSE TO REQUEST FOR INFORMATION**

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|---------------|--------------|----------------|-------------------|
| JURISDICTION: | Washington | DATE PREPARED: | 5 / 9 /03 |
| CASE NO: | UG-021584 | WITNESS: | Michael D'Arienzo |
| REQUESTER: | WUTC | RESPONDER: | Michael D'Arienzo |
| TYPE: | Data Request | DEPARTMENT: | Avista Energy |
| REQUEST NO.: | 5 | TELEPHONE: | (509) 688-6037 |

REQUEST:

Please generally describe Avista Energy's actual operations on a daily basis as to its gas procurement and related functions. Include gas procurement and balancing by basin, capacity management, operations related to basin differentials, and any other functions performed by Avista Energy as a result of having access to the utility, Avista Corp.'s gas procurement and capacity management functions.

RESPONSE:

Avista Energy's daily operations begin at approximately 4:30 a.m. with staff members preparing an analysis of previous and current days gas flow data. The gas schedulers start by operating the Gas Solutions program and running current metrotek numbers, pulling all pipeline load reports and weather reports, (daily and hourly). All of this information is assimilated and entered into an hourly model. This model calculates data and estimates usage numbers for core load based on previous days usage and temperatures. Information is then analyzed for accuracy and load is balanced for the previous day based on those models. This information is combined with daily weather and entered into our SAS forecasting system. The information from the forecast model is then used to prepare our LDC forecast. Some of this information is then plugged back into the hourly model to create a load split for scheduling purposes. This information is then utilized in preparing load demand per location (tap). We then balance those taps based on current imbalances and forecasted load for each of the major areas of the service territory. These numbers then are posted on a company white board that is in clear view of the schedulers and traders.

Based on current positions (long/short) at basin points, gas is then distributed to cover those load requirements to determine an overall daily position (long/short) by basin to load. While this is taking place, traders are accessing various electronic bulletin boards, brokers and market pricing sources to analyze the daily, monthly and longer-term markets, in an effort to manage the overall positions, and load requirements based on forecasted material. They compare daily, future and historical pricing to determine least cost basin to serve the loads. After they complete their analysis they use this information in combination with the white board numbers and redistribute gas from the most economical basin to cover load. This process can occur multiple times during the course of a morning depending on how market prices changes through out the daily trading. As new trades occur they are recorded on the traders log and then written onto the whiteboard, which is used for scheduling and back office support. Throughout the morning schedulers update traders as to changing positions and availability of transport on the various pipes used to serve loads.

When traders have fully maximized the daily strategy the schedulers then nominate the physical gas utilizing four different pipeline nomination platforms to move supplies to loads. Upon completion of the day trading the traders turn their focus more on balance of the month and longer term trading.

Schedulers then go back and re-examine historical and new point balancing information, compare it to pipeline and utility data provided, checking for accuracy. They update any changed or corrected data accordingly. They also begin the next day's analysis with this information.

The next step that occurs is the schedulers contact the various markets AE serves in an effort to determine if any load adjustments are required based on projected usage and previous days actual. This customer information is required to maintain imbalances at their proper levels. There are various methods of correcting customer imbalances available to AE, one of which is a re-nomination on the specific pipeline.

Basic accounting and scheduling functions are performed throughout the day, including but not limited to, managing storage accounts for various customers, scheduling nucleus, managing turbines, keeping current on maintenance issues on all pipes and the buying and scheduling of re-nomination gas. Staff must continually re-evaluate pricing to determine if AE should participate in this market. Due to the complexity of the pipeline scheduling cycles, schedulers are constantly re-evaluating and moving physical gas to optimize value while ensuring reliability. Within this process, schedulers are managing a minimum of three-days worth natural gas supplies (post, present and future gas nominations).

Scheduled natural gas volumes for the next day are posted after 2:00 p.m. at which time schedulers verify that the data is correct and gas is flowing properly to the assigned loads. Depending on pipeline reports, schedulers coordinate the re-nomination of basin gas lost due to pipeline constraints, capacity restrictions, nomination errors or various other reasons.

In an effort to provide a high level of service and reliability, AE has a scheduler on call 24 hours per day to deal with any problems that may occur outside regular business hours. Typically, those activities are dealing with operational issues associated with pipeline delivery or nomination changes with respect to storage accounts. The next morning the on call scheduler updates the group on the evening's activities and the process begins anew for the next day.