



# ATTORNEY GENERAL OF WASHINGTON

800 Fifth Avenue #2000 • Seattle WA 98104-3188

October 24, 2013

**SENT VIA EMAIL**

Steven V. King  
Executive Director and Secretary  
Washington Utilities and Transportation Commission  
P.O. Box 47250  
Olympia, Washington 98504-7250

**Re: Purchased Gas Adjustment Filings  
NW Natural Gas, Docket UG-131962  
Avista Corporation, Docket UG-131748  
Puget Sound Energy, Inc., Docket UG-131816  
Cascade Natural Gas, Dockets UG-131870 and UG-131871**

Dear Mr. King:

Public Counsel respectfully submits these comments in advance of the Commission's October 30, 2013, Open Meeting. The Purchased Gas Adjustment (PGA) filings of Washington's four natural gas utilities will be considered by the Commission at that time. The PGA tariff changes were filed pursuant to WAC 480-90-233. Public Counsel does not take a position on the requested PGA tariff changes, and similarly we do not oppose Commission Staff's recommendations to allow the tariffs to take effect by operation of law.

Last year, the Commission conducted investigations into the four natural gas utilities' hedging practices in the context of their PGA filings.<sup>1</sup> In the final orders for each docket, the Commission stated that it "intends to initiate a generic, forward-looking proceeding on gas utility hedging practices in the near future."<sup>2</sup> Public Counsel is very supportive of the Commission's intention to initiate a generic, forward-looking proceeding. Public Counsel would support any procedural vehicle the Commission believes would be most beneficial, including but not limited to workshop, staff investigation, collaborative, or rulemaking proceedings.

---

<sup>1</sup> *WUTC v. Avista Corporation*, Docket UG-121504; *WUTC v. Northwest Natural Gas*, Docket UG-121434; *WUTC v. Puget Sound Energy*, Docket UG-121569; and *WUTC v. Cascade Natural Gas*, Docket UG-121592 and UG-121623.

<sup>2</sup> See, e.g. *WUTC v. Avista Corporation*, Docket UG-121501, Order 02, May 1, 2013, at ¶12.



ATTORNEY GENERAL OF WASHINGTON

To: Mr. King  
Re: Dockets UG-13962, UG-131748,  
UG-131816, and UG-131870 / UG-131871  
Date: October 24, 2013  
Page 2

The investigation that occurred last year provided a start to the conversation regarding hedging practices in Washington. Similar efforts are occurring in a number of states across the country.<sup>3</sup> Public Counsel urges the Commission to continue the conversation here. The decisions to hedge, how to hedge, and how much to hedge primarily affect ratepayers rather than the utility shareholder, and a broad review of industry practices in Washington would be timely.<sup>4</sup> Such a review could yield many benefits, including guidance on the purpose of hedging programs; standardizing how utilities report to the Commission regarding its hedging policies, practices, and performance; evaluation of program performance with respect to the stated purpose and cost to customers; and development of best practices.

Public Counsel looks forward to actively participating in a generic proceeding, as we believe it would be beneficial for ratepayers, the Commission, and also the utilities.<sup>5</sup> Notably, a generic proceeding would be independent from the PGA cycle.

Public Counsel appreciates the opportunity to submit these comments. We will be present at the October 30, 2013, Open Meeting to discuss these comments and respond to any questions the Commission may have.

Sincerely,



Lisa W. Gafken  
Assistant Attorney General  
Public Counsel Division  
(206) 464-6565

LWG:ar

---

<sup>3</sup> Public Counsel has communicated with its fellow NASUCA members, who indicate that review of hedging is occurring in states including New Hampshire, Michigan, West Virginia, and Maryland. Other states have also address hedging activities, such as Nevada and Utah. The conversation is occurring in the public sector as well. The Colorado Springs Office of the City Auditor recently audited Colorado Springs Utilities' hedging practices. See <http://csbj.com/2013/08/15/city-auditor-utilities-paid-more-than-market-value-under-hedging-program/> (last accessed 10/24/2013).

<sup>4</sup> See, e.g. Costello, Ken. *Gas Hedging: Should Utilities Do Less and Do It Differently?* National Regulatory Research Institute (May, 2011), pp. 29.

<sup>5</sup> See, e.g. Costello, Ken. *Gas Hedging: Should Utilities Do Less and Do It Differently?* National Regulatory Research Institute (May, 2011), pp. 29-30.