AVISTA

Avista Corp.
1411 East Mission P.O. Box 3727
Spokane, Washington 99220-0500
Telephone 509-489-0500
Toll Free 800-727-9170

VIA OVERNIGHT MAIL

November 13, 2019

Diane Hanian
Commission Secretary
Idaho Public Utilities Commission
11331 W. Chinden Blvd
Building 8, Suite 201-A
Boise, ID 83714

RE: CASE NO. AVU-G-19-08
IN THE MATTER OF AVISTA CORPORATION'S PETITION FOR LIMITED WAIVER OF PENALTY TERMS SET FORTH IN ITS NATURAL GAS TARIFF

Dear Ms. Hanian:

Enclosed for filing with the Commission is Avista's Petition for Limited Waiver of Penalty Terms Set Forth in its Natural Gas Tariff. The filing consists of an original and seven copies of Avista's Petition.

Please direct any questions regarding this filing to Michael Andrea at (509) 495-2564 or michael.andrea@avistacorp.com and Pat Ehrbar at (509) 495-8620 or patrick.ehrbar@avistacorp.com.

Sincerely,

/s/ Paul Kimball

Paul Kimball
Manager of Compliance & Discovery

Enclosures

Michael G. Andrea (ISB No. 8308)
Senior Counsel
Avista Corporation
1411 East Mission, MSC-17
Spokane, WA 99202
Phone: (509) 495-2564
Facsimile: (509) 495-5690

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF AVISTA CORPORATION'S PETITION FOR LIMITED WAIVER OF PENALTY TERMS SET FORTH IN ITS NATURAL GAS TARIFF	)))))	**CASE NO. AVU-G-19-08**

Pursuant to Idaho Public Utilities Commission Rule of Procedure 53, Avista Corporation ("Avista" or "Company") petitions the Idaho Public Utilities Commission ("Commission") for authority to enter into settlement discussions with Clearwater Paper ("Clearwater") to resolve a disputed penalty that arose under Avista's Idaho Natural Gas Tariff ("Tariff"). In order to engage in such settlement discussions, Avista requests an order granting a limited waiver of certain penalty provisions contained within Schedule 146 of its Tariff.[1] Specifically, Avista requests limited waiver of the prescribed entitlement penalties in Schedule 146 authorizing the Company to modify the Penalty (as defined below) to the extent necessary to ensure that such Penalty serves its intended purpose, but is not unduly burdensome or otherwise unjust and unreasonable. Any settlement between Avista and Clearwater would be subject to further Commission review and approval. Clearwater has authorized Avista to represent that Clearwater supports this Petition.

[1] Schedule 146 has been replaced and superseded by Schedule 181. However, since Schedule 146 was in effect when the penalties at issue were incurred, this Petition seeks waiver of Schedule 146 and, to the extent necessary, Schedule 181. The version of Schedule 146 that is applicable to this Petition is attached hereto as Exhibit A for convenience.

Communications in reference to this Application should be addressed to:

Michael G. Andrea
Senior Counsel
Avista Corporation
1141 E. Mission Ave., MSC 17
P.O. Box 3727
Spokane, WA 99220-3727
(509) 495-2564
michael.andrea@avistacorp.com

Patrick D. Ehrbar
Director of Regulatory Affairs
Avista Corporation
1411 E. Mission Ave, MSC 27
P.O. Box 3727
Spokane, WA 99220-3727
Phone: (509) 495-8620
Patrick.Ehrbar@avistacorp.com

I. Clearwater Paper's Special Contract with Avista

Based on Clearwater's unique ability to bypass Avista's distribution facilities and take service directly from Northwest Pipeline, Avista and Clearwater entered into a special contract ("Contract").[2] The initial term of the Contract was 10 years ending November 30, 2016, and continuing in effect from year-to-year thereafter unless canceled twelve-months prior by written notice by either party. The Contract remains in effect today. Pursuant to section 7 of the Contract, Clearwater shall be responsible for imbalance charges or penalties as set forth in Avista's tariff. As noted in subsection 11 of the Contract, "Incorporated Terms", except as provided in the Contract, all terms and conditions set forth in Avista's Tariff are incorporated in the Agreement. Accordingly, the terms set forth in the Tariff are applicable to Clearwater.

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[2] *See* Case No. AVU-G-07-01.

II. Wholesale Natural Gas Prices and Entitlements

On October 9, 2018, the Enbridge-owned West Coast Pipeline experienced a rupture which greatly reduced natural gas flows to the Sumas natural gas trading hub for the entire 2018-2019 winter time period. That rupture, coupled with Jackson Prairie[3] system maintenance and outages, resulted in unusually high prices and volatility at Sumas. In the February and March 2019 timeframe, Northwest Pipeline, the main interstate pipeline that transports natural gas from Sumas south along the I-5 corridor and east to the Rocky Mountains, issued certain entitlement notices requiring shippers on their pipeline to stay within a certain percentage of their nominated natural gas supplies. Avista, for its part, issued the same entitlement notice to those customers on Avista's distribution system who purchase their own natural gas, and procure their own natural gas transportation. Clearwater is one of those "transportation" customers. In spite of these notifications from Avista, and without passing judgement as to why, Clearwater exceeded its nominated natural gas volumes eight times between February 7, 2019 and March 4, 2019. Those eight exceedances, pursuant to the Company's tariff, led to the issuance of entitlement penalties.

The average price for natural gas at various non-Sumas trading hubs during those exceedances was \$6.46 per dekatherm. The average price at Sumas, however, was \$35.98 per dekatherm, including a high price of \$159.27 per dekatherm (or \$15.93 per therm). As set forth in Idaho Schedule 146, the entitlement penalty was the greater of \$10 per dekatherm or 150% of the highest price basin. Given that the price of natural gas at Sumas exceeded \$10 per dekatherm, the "150% of the highest price basin" became the penalty. Ultimately, using that penalty methodology

[3] Jackson Prairie (JP) is an underground aquifer natural gas storage facility located in Chehalis, Washington. Through a joint ownership agreement, Avista, Puget Sound Energy, and Williams Northwest Pipeline each hold one-third equal, undivided interest of JP. Puget Sound Energy is the operator of the facility. At the present time, Avista <u>owns</u> a total of 8,528,013 dekatherms (Dth) of working gas capacity. This capacity comes with a withdrawal capability (deliverability) of 398,667 Dth per day.

and the volumes that exceeded the nominations, the resulting penalty for Clearwater is $926,202. In Avista's (and Clearwater's) view, that level of penalty may be unduly burdensome. Despite the regional supply constraints, and entitlements put on Avista by Northwest Pipeline, Avista at no time was forced to buy more natural gas to make up for the natural gas Clearwater used in excess of the various entitlements. As such there was no financial harm to any of Avista's core customers, nor was Avista penalized by Northwest Pipeline.

III. Request for Limited Waiver of Schedule 146 of Avista's Tariff

Avista is a utility engaged in, among other things, the business of distributing natural gas to customers in the State of Idaho. Avista is required to file with the Commission all rates, tolls, rentals, charges and classifications collected or enforced, or to be collected or enforced.[4] As a general matter, Avista is prohibited from charging, demanding, collecting or receiving a greater or lesser or different compensation than what is specified in its Tariff.[5]

Schedule 146 of Avista's Tariff prescribed the penalty that applied to Clearwater's violations of entitlement orders:

> In addition to the transport rate set forth under this Schedule, the unauthorized overrun charge shall be the greater of $1.00 per therm or 150%of the highest midpoint price at Northwest Wyoming Pool; Northwest south of Green River; Stanfield Oregon, Kern River Opal. El Paso Bondad or Northwest Canadian border (Sumas) supply pricing points (as reflected in the Daily Price Survey published in "Gas Daily").

During the period February 7, 2019 to March 4, 2019, the penalties for Clearwater's unauthorized volumes during overrun entitlements totaled $926,202 ("Penalty").

Avista has reviewed the circumstances that gave rise to Clearwater's Penalty. Avista has determined that other customers were not harmed by Clearwater's entitlement violations.

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[4] IDAHO CODE § 61-305.
[5] IDAHO CODE § 61-313.

Clearwater has requested that Avista engage in settlement discussions in an effort to determine whether the Penalty should be reduced. Avista desires to engage in such settlement discussions to ensure that the amount of the Penalty is appropriate to satisfy the intent of the entitlement penalties in Schedule 146 (i.e., to deter violations of entitlement orders), but is not unduly burdensome or otherwise unjust and unreasonable.[6]

As discussed above, Avista is generally prohibited from deviating from the rates and charges in its tariff. Avista therefore respectfully requests that the Commission grant Avista a limited waiver of Schedule 146. Such limited waiver is necessary to allow Avista to engage in good faith settlement discussions with Clearwater to determine whether, under the circumstances, the Penalty is unduly burdensome or otherwise unjust and unreasonable. If Avista determines that the circumstances warrant modifying the Penalty, and Clearwater and Avista agree to a modified Penalty, Avista and Clearwater will jointly file a settlement agreement. Such filing will set forth the rational for modifying the Penalty and will explain why the modified Penalty is just and reasonable. Further, Avista and Clearwater will request that the Commission review and approve any settlement agreement, assuming that the Commission determines that the modified Penalty is just and reasonable.

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[6] *See* IDAHO CODE § 61-301 (requiring all charges to be just and reasonable).

CONCLUSION

WHEREFORE, based on the foregoing, Avista hereby requests that the Commission grant Avista's petition and issue an order granting Avista limited waiver of certain provisions of Schedule 146 of its Tariff as discussed herein. The Company requests that the matter be processed under the Commission's Modified Procedure rules through the use of written comments.

Dated at Spokane, Washington this 13th day of November 2019.

AVISTA CORPORATION

By: */s/Michael G. Andrea*
Michael G. Andrea
Senior Counsel

EXHIBIT A

Tariff Pages

SCHEDULE 146

TRANSPORTATION SERVICE FOR CUSTOMER-OWNED GAS - IDAHO

AVAILABLE:

To Commercial and Industrial Customers in the State of Idaho whose requirements exceed 250,000 therms of gas per year provided that the Company's existing distribution system has capacity adequate for the service requested by Customer.

APPLICABLE:

To transportation service for a Customer-owned supply of natural gas from the Company's point of interconnection with its Pipeline Transporter to the Company's point of interconnection with the Customer. Service shall be supplied at one point of delivery and metering for use by a single customer.

MONTHLY RATE:

$250.00 Customer Charge, plus

Charge Per Therm:

Base Rate	13.441¢

ANNUAL MINIMUM:

$36,603 unless a higher minimum is required under contract to cover special conditions.

The above Monthly Rates are subject to increases or decreases as set forth in Tax Adjustment Schedule 158, Gas Rate Adjustment Schedule 155, Permanent Federal Income Tax Credit Schedule 172 and Energy Efficiency Rider Adjustment Schedule 191.

SCHEDULE 146 - continued

TRANSPORTATION SERVICE FOR CUSTOMER-OWNED GAS - IDAHO

SPECIAL TERMS AND CONDITIONS:

1. Service hereunder shall be provided subject to execution of a contract between the Customer and the Company for a term of not less than one year. The contract shall also specify the maximum daily volume of gas to be transported.

2. Billing arrangements with gas suppliers, transportation providers and agents are to be the responsibility of the Customer.

3. The Customer shall be responsible for any transportation service fees, agency fees, penalties and end-use taxes levied on Customer-owned gas transported by the Company.

4. Customers served under this schedule are required to pay for the installation of telemetering equipment and any other new facilities or equipment required to transport Customer-owned gas or accurately meter such gas under this schedule.

5. A Customer may designate an Agent, or act as an agent on their own behalf, to manage the Customer's gas supply and provide daily nominations to the Company on behalf of the Customer. The Customer may become a member of a Supply Pool under their Agent, provided the Agent has executed an Agency Pooling agreement with the Company. A Customer participating in an agent's Supply Pool must execute an Agency Assignment Agreement with the Company. A Supply Pool shall consist of only customers receiving gas transportation service from the Company through a single agent, and whose gas for all customers in the Supply Pool is received into the Company's distribution system. The Company will designate Supply Pools based on regional and geographical locations in accordance with the Company's ability to physically receive and deliver gas to the customer. The Customer's Agent will nominate and balance gas supplies on behalf of all customers in a Supply Pool in accordance with Avista's nomination procedures and shall be responsible for any imbalance charges or other fees, charges, taxes or penalties.

6. The Company may entitle, curtail or interrupt the transportation of Customer-Owned Gas on its system whenever the Company, in its sole judgement, determines that it does not have adequate pipeline or distribution system capacity to meet all firm service requirements. Such entitlement, curtailment or interruption shall be made in accordance with the Company's "Contingency Plan for Firm Service Gas

SCHEDULE 146 - continued

TRANSPORTATION SERVICE FOR CUSTOMER-OWNED GAS - IDAHO

Curtailment", as contained in its general service tariff. Any volumes of Customer-owned gas unable to be delivered due to operational constraints on the Company shall be held as an imbalance and delivered to the Customer as soon as operationally practicable. The Company will not be liable for damages occasioned by the entitlement, curtailment or interruption of service supplied under this schedule.

7. The Company, at its discretion, may issue an entitlement order which will serve to prescribe a minimum or maximum amount of gas to be used by a Customer during a day. The entitlement order will specify the conditions necessary for compliance including the prescribed tolerance, as defined in Northwest Pipeline LLC's FERC Gas Tariff (Fifth Revised Volume No. 1, Effective Date 10/27/2014) Section 15.5 Daily Entitlement Overrun and Underrun. Under an overrun entitlement order, gas used in excess of the confirmed daily nomination plus the prescribed tolerance shall be considered as daily unauthorized overrun usage. In addition to the transport rate set forth under this Schedule, the unauthorized overrun charge shall be the greater of $1.00 per therm or 150% of the highest midpoint price at Northwest Wyoming Pool, Northwest south of Green River, Stanfield Oregon, Kern River Opal. El Paso Bondad or Northwest Canadian border (Sumas) supply pricing points (as reflected in the Daily Price Survey published in "Gas Daily"). Payment of an overrun penalty shall not under any circumstances be considered as granting Customer the right to take unauthorized overrun gas or exclude any other remedies which may be available to Company.

8. Gas not taken by Customer under this tariff by reason of failure to comply with an underrun entitlement order shall be considered as unauthorized underrun. The charge for unauthorized underrun shall be $1.00 per therm for that part of the unauthorized underrun below the confirmed daily nomination and the prescribed tolerance specified in the underrun entitlement order and as defined in Northwest Pipeline LLC's FERC Gas Tariff (Fifth Revised Volume No. 1, Effective Date 10/27/2014) Section 15.5 Daily Entitlement Overrun and Underrun. In addition, the Company may require that the volume of underrun gas be taken off the system within the following seventy-two (72) hour period. If applicable, for that part of the unauthorized underrun not taken off the system within the seventy-two hour period, an additional penalty of $1.00 per therm per each gas flow day will be assessed following the seventy-two (72) hour period.

SCHEDULE 146 - continued

TRANSPORTATION SERVICE FOR CUSTOMER-OWNED GAS - IDAHO

9. In the event that transportation gas is unable to be delivered for a period of time, the customer may be required to execute a sales contract and

demonstrate creditworthiness. Customers executing a sales contract will be subject to the provisions specified in Section 18 of this Schedule.

10. The Customer, with assistance from the Company when necessary, will schedule its supply such that at the end of the Customer's billing cycle, the Customer's usage approximately equals the amount of gas supplied to the Company by the Customer's supplier during the billing cycle.

11. If a Customer's cumulative imbalance in any billing month during the period August through February is more than three percent (3%) above or below total confirmed nominations for that billing month, or if Customer's cumulative imbalance in any billing month during the period March through July is more than five percent (5%) above or below total confirmed nominations for that billing month, the Company will provide notification by the fifteenth day of the following month that the imbalance exceeds the allowed tolerance and that a potential penalty situation exists. From the notification date, 45 days will be given to eliminate the imbalance. If at the end of the 45 day period the imbalance has not been corrected to a level within the allowed tolerance, a balancing penalty of $1.00 per therm will be assessed. The imbalance penalty will continue to be charged at the end of each billing period until the imbalance is within the allowed tolerance.

12. Gas delivered under this schedule shall not be resold by the Customer contracting for transportation service.

13. The quality of Customer-owned natural gas shall meet the requirements as set forth in the Company's Pipeline Transporters' FERC tariff.

14. Customers served under this schedule who desire to switch from this Schedule to a sales service schedule, or from a sales service schedule to this Schedule, must provide 90 days' prior written notice to the Company. The Company reserves the right to refuse or postpone a Customer request to switch between transportation service and sales service based on firm pipeline capacity or gas supply constraints.

15. Service under this schedule is subject to the Rules and Regulations contained in this tariff.

SCHEDULE 146 - continued

TRANSPORTATION SERVICE FOR CUSTOMER-OWNED GAS - IDAHO

16. The above Rate is subject to the provisions of Purchase Gas Cost Adjustment Schedule 150, Gas Rate Adjustment Schedule 155, Tax Adjustment Schedule 158, and DSM Rider Adjustment Schedule 191.

17. Deferred gas costs will be determined for individual customers served under this Schedule, as well as for sales Customers who request to switch from a sales service Schedule to this Schedule. The deferred gas cost balance for each Customer will be based on the difference between the purchased gas costs collected through rates and the Company's actual purchased gas cost multiplied by the Customer's therm usage each month. The deferred gas cost balance for Customers who have switched from a sales service schedule to this Scheduled will be transferred with the Customer's account. The Customer shall have the option of 1) a lump-sum refund or surcharge to eliminate the deferred gas cost balance, or 2) an amortization rate per therm to reduce the deferred gas cost balance.

18. Customers who elect to switch from service under this Schedule to a sales service schedule will be served under Schedule 112 or Schedule 132 as applicable.