

DECISION MEMORANDUM

TO: COMMISSIONER KJELLANDER
COMMISSIONER RAPER
COMMISSIONER ANDERSON
COMMISSION SECRETARY
LEGAL
WORKING FILE

FROM: KEVIN KEYT

DATE: FEBRUARY 10, 2016

SUBJECT: AVISTA'S REVISIONS TO SCHEDULE 146 - TRANSPORTATION SERVICE FOR CUSTOMER-OWNED GAS, AND SCHEDULE 182 - CONTINGENCY PLAN FOR FIRM SERVICE GAS CURTAILMENT; TARIFF ADVICE NO. 16-01-G

On January 15, 2016, Avista ("Company") filed a Tariff Advice with the Commission seeking authority to revise Schedule 146 Transportation Service for Customer-Owned Gas, and Schedule 182 Contingency Plan for Firm Service Gas Curtailment. On February 5, 2016 the Company filed a second substitute tariff sheet 146B. Avista proposes to revise these rate schedules in order to change imbalance penalties and thresholds affecting natural gas transportation customers. According to the Company, the proposed tariff modifications are consistent with the Northwest Pipeline ("NW Pipeline") imbalance penalties and thresholds approved by the Federal Energy Regulatory Commission ("FERC") in Docket No. RP14-1283-000. The Company requests the tariff revisions become effective on March 1, 2016.

BACKGROUND

The Company uses customers' daily nominations to schedule the required amount of natural gas on the pipeline system. Excess daily use by customers could result in a capacity shortage on the system, while under use could result in excess system capacity. When a customer uses natural gas above their daily nomination an overrun condition is created. Conversely, when a customer uses natural gas below their daily nomination an underrun condition is created.

On October 23, 2014, in Docket No. RP14-1283-000, NW Pipeline's daily overrun penalty changed from \$0.50/therm for the first 2 percent of unauthorized usage and \$1/therm for unauthorized usage over 2 percent, to an overrun penalty the greater of \$1/therm or 150 percent of the highest midpoint price at certain supply pricing points on the day in question.¹ The previous NW Pipeline underrun penalty was \$0.50/therm for the first 5 to 10 percent of unauthorized quantities and \$1/therm for unauthorized quantities above 10 percent. The underrun penalty was changed to a rate of \$1/therm for all unauthorized underrun quantities below a predetermined threshold. Avista proposes to modify Schedule 146 to replicate and pass through NW Pipeline's tariff penalties resulting from transportation customers using natural gas above or below their confirmed daily nominations.

On October 23, 2014, the FERC also approved NW Pipeline's monthly imbalance threshold. The monthly imbalance threshold ensures the customer uses the natural gas they have nominated. Currently, Avista's imbalance charges may be incurred by the customer if the monthly imbalance account exceeds 105 percent, or falls below 95 percent. NW Pipeline's monthly imbalance threshold is now 3percent above or below total monthly confirmed nominations during August through February, and 5 percent above or below total monthly confirmed nominations during March through July. The Company proposes to modify Schedule 182 consistent with the FERC approved monthly imbalance thresholds on NW Pipeline.

STAFF ANALYSIS

Staff examined the Company's Application and supporting tariffs, NW Pipeline's current tariffs, and FERC Docket No. RP14-1283-000. NW Pipeline clearly defines daily overrun and underrun tolerances within their tariffs, but Staff determined the Avista's proposed tariffs lack a clear definition of daily tolerances. Staff discussed this with the Company and it agreed to add clarifying language to tariff sheet 146B. On February 5, 2016, the Company filed a second substitute tariff which added the following language to sheet 146B: "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." Staff believes this adequately references the overrun and underrun tolerances set forth by NW Pipeline.

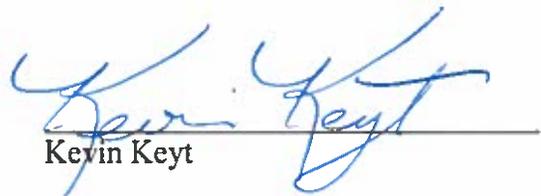
¹ The pricing points to be considered in calculating these penalties are the NW Wyoming Pool, NW South of Green River, Stanfield, Oregon, NW Canadian Border (Sumas), Kern River Opal, and the El Paso Bondad supply pricing points as reflected in the Daily Price Survey published in "Gas Daily."

Additionally, Staff inquired about the frequency for which penalties are assessed by the Company and NW Pipeline. According to the Company, it has not evoked or had penalties invoked by NW Pipeline in over eight years.

Staff determined that gas volumes in the FERC and NW Pipeline documents are depicted in Dths (Dekatherms) whereas Avista's proposed tariffs are in therms. Aside from this negligible difference, Staff believes the tariff changes proposed by the Company are consistent with the penalties and imbalance thresholds established by NW Pipeline and approved by the FERC. Staff believes it is reasonable for the Company to update its penalties and imbalance thresholds consistent with NW Pipeline, consequently, Staff recommends the Commission approve the tariff schedules as modified by substitute tariff sheet 146B.

COMMISSION DECISION

Does the Commission wish to approve Avista's proposed changes to its Tariff Schedules 146 and 182 effective March 1, 2016?



Kevin Keyt

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