



STATE OF WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION
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September 19, 2014

NOTICE OF TOPICS FOR CLARIFICATION AT SETTLEMENT HEARING

RE: *Washington Utilities and Transportation Commission v. Avista Corporation dba Avista Utilities*, Dockets UE-140188 and UG-140189

TO ALL PARTIES:

On August 18, 2014, Avista Corporation, d/b/a Avista Utilities (Avista or the Company), the Commission's regulatory staff (Staff), the Industrial Customers of Northwest Utilities (ICNU), the Northwest Industrial Gas Users (NWIGU), The Energy Project, and the Public Counsel Division of the Washington State Attorney General's Office (Public Counsel, collectively with Avista, Staff, ICNU, NWIGU, and the Energy Project, the Settling Parties) filed with the Commission a full settlement agreement (Settlement) in Dockets UE-140188 and UG-140189; and on August 29, 2014, filed documentation in support of the Settlement.

The Commission will convene a settlement hearing on September 23, 2014, and requests that the Settling Parties be prepared to provide clarification on the following topics:

Decoupling:

1. With regard to the earnings test, please be prepared to describe the difference, if any, between the Settlement's use of the phrase "one-half the rate of return in excess of 7.32%," and the phrase "one-half the revenue causing the rate of return in excess of 7.32%."
2. What happens when the rate of return is exactly 7.32%?
3. How many additional megawatt-hours of conservation does Avista commit to achieve in this biennium? Is this amount 5 percent of the biennial target?
4. If the decoupling mechanism ends mid-biennium, how will that impact Avista's conservation commitment in that biennium?
5. Will the decoupling deferrals accrue interest? If so, at what rate?
6. Does the third-party evaluation commitment bind the Company to examine any particular aspect or concern about the decoupling pilot?
7. What analysis will the evaluation be expected to include?

8. What process will the Company use to develop the RFP for the third-party evaluation of the decoupling mechanism? Will this process involve of the Company's Conservation Advisory Group?

Attrition

1. Be prepared to discuss the capital reporting provision. For example, will the reports separately list:
 - a. Investment in replacement from new load serving plant?
 - b. Gas pipeline replacement from other investments?
2. In paragraph 21, the Settling Parties recommend that the Commission provide a separate forum to discuss attrition and other ratemaking policy issues, be prepared to discuss:
 - a. What are these "other ratemaking policy issues?"
 - b. What are the parties' expectations regarding the forum's participants?
 - c. What are the parties' expectations regarding the outcome of the forum's meeting? (e.g., joint agreement, joint statement, policy statement)

Power Costs

1. Please be prepared to elaborate on the following aspects of power cost recovery:
 - a. Production asset costs collected through the revenue per customer under the decoupling mechanism and basic/demand charges.
 - b. The impact of the application of the reduced Retail Revenue Credit adjustment on ERM balances
 - c. Explanation of the costs that the Retail Revenue Credit Adjustment are expected to offset to prevent over or under recovery.

Rate Spread/Rate Design

1. In Appendix 2 to the Settlement at page 7, the spreadsheet shows a decrease in the Minimum Charge rows for Schedules 111 and 121. Whereas, the Settlement, in paragraph 15(b)(iii), describes the modification as an increase in the Minimum Charge. Please explain this discrepancy.
2. Is the method for calculating the Minimum Charge for Schedules 111 and 121 in this rate case the same as used in the 2012 general rate case? If not, please be prepared to explain the rationale for the difference.

The Settling Parties should be prepared to address these topics during the settlement hearing on September 23, 2014, beginning at 10:00 a.m., in Room 206, Richard Hemstad Building, 1300 S. Evergreen Park Drive S.W., Olympia, Washington.

MARGUERITE FRIEDLANDER
Administrative Law Judge

cc: All Parties