

**BEFORE THE  
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION, Complainant,	)	
	)	
v.	)	Docket No. UE-110876
	)	Docket No. UG-110877
AVISTA CORPORATION d/b/a	)	Docket No. UE-120436
AVISTA UTILITIES, Respondent.	)	Docket No. UG-120437
	)	<i>(consolidated)</i>
	)	
	)	

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**REBUTTAL TESTIMONY OF MICHAEL C. DEEN  
IN SUPPORT OF SETTLEMENT**

**ON BEHALF OF**

**THE INDUSTRIAL CUSTOMERS OF NORTHWEST UTILITIES**

**November 19, 2012**

1 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 **A.** My name is Michael C. Deen. I am a member of Regulatory & Cogeneration Services,  
3 Inc. (“RCS”), a utility rate and economic consulting firm. My business address is 900  
4 Washington Street, Suite 780, Vancouver, Washington 98660. I am the same Michael C.  
5 Deen who previously testified in on behalf of the Industrial Customers of Northwest  
6 Utilities (“ICNU”) regarding electric revenue requirement, cost of service, power costs,  
7 rate spread and design, and other rate issues. I also testified on behalf of the Northwest  
8 Industrial Gas Users (“NWIGU”) regarding natural gas cost of service and rate spread  
9 and design issues, and I testified on behalf of both ICNU and NWIGU in support of the  
10 settlement stipulation.

11 **Q. WHAT IS THE PURPOSE OF THIS TESTIMONY?**

12 **A.** I am rebutting the testimony of Public Counsel witness James Dittmer, who submitted  
13 testimony in opposition to the settlement stipulation in this docket.

14 **Q. PUBLIC COUNSEL’S WITNESS JAMES DITTMER BELIEVES THE**  
15 **STIPULATION CONTAINS AN IMPLICIT ATTRITION ADJUSTMENT. IS**  
16 **THIS ACCURATE?**

17 **A.** No. The stipulation is a black box settlement, and no agreement was reached among the  
18 settling parties on the issue of an attrition adjustment.

19 **Q. WHAT ABOUT PUBLIC COUNSEL’S STATEMENT THAT THERE MUST BE**  
20 **AN IMPLICIT ATTRITION ADJUSTMENT IN THE SETTLEMENT TO**  
21 **REACH THE REVENUE REQUIREMENT INCREASE SUPPORTED BY THE**  
22 **SETTLING PARTIES?**

23 **A.** Mr. Dittmer appears to reach this conclusion by adjusting Avista’s revenue requirement,  
24 exclusive of its requested attrition adjustment, to reflect a number of other reductions  
25 agreed to by the parties, as well as a reduction based on the lower, stipulated cost of

1 capital. Exh. No. JRD-12CT at 8. He then concludes that any rate increase above this  
2 level must be an attrition adjustment. Id. This sort of deconstruction does not consider  
3 that the cost of capital agreed to by the parties is significantly lower than Avista's  
4 proposed cost of capital, and itself represents a major concession by the utility. On the  
5 other hand, the revenue levels agreed to in the stipulation represent concessions of other  
6 parties, including ICNU, but do not represent an agreed-to attrition adjustment.

7 **Q. HAS ICNU DROPPED ITS OPPOSITION TO AN ATTRITION ADJUSTMENT?**

8 **A.** No. As I noted in my earlier testimony supporting the stipulation, ICNU would not have  
9 joined the stipulation if it included an attrition adjustment.

10 **Q. DOES PUBLIC COUNSEL'S TESTIMONY CHANGE ICNU'S SUPPORT FOR**  
11 **THE STIPULATION?**

12 **A.** No. While Public Counsel has raised an array of issues, ICNU believes that the final  
13 result from the stipulation represents a just and reasonable compromise. It creates rate  
14 stability for a two-year period, and allows customers to receive the benefit of ERM  
15 deferrals they would potentially never see otherwise. It does not create precedent  
16 regarding the contentious issue of attrition, but represents significant compromises by all  
17 parties and is in the public interest.

18 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

19 **A.** Yes.