

**BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND	)	DOCKET NO. UE-120436
TRANSPORTATION COMMISSION,	)	DOCKET NO. UG-120437
	)	DOCKET NO. UE-110876
Complainant,	)	DOCKET NO. UG-110877
	)	
v.	)	INDUSTRIAL CUSTOMERS OF
	)	NORTHWEST UTILITIES' POST-
AVISTA CORPORATION, d/b/a/	)	HEARING BRIEF
AVISTA UTILITIES,	)	
	)	
Respondent.	)	

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**POST-HEARING BRIEF**

**ON BEHALF OF**

**THE INDUSTRIAL CUSTOMERS OF NORTHWEST UTILITIES**

**December 7, 2012**

## TABLE OF CONTENTS

	<u>Page</u>
TABLE OF CONTENTS .....	i
TABLE OF AUTHORITIES.....	ii
I. INTRODUCTION.....	1
II. BACKGROUND.....	1
III. ARGUMENT .....	2
A. The 2014 Rates Represent a Just, Fair, and Reasonable Compromise of Positions Among the Parties .....	2
B. The 2014 Rates Are Reasonable Because They Are Offset in Part By ERM Dollars.....	3
IV. CONCLUSION .....	4

## TABLE OF AUTHORITIES

<u>Cases</u>	<u>Page</u>
<u>WUTC v. Avista</u> , Docket No. UE-110876/UG-110877, Order No. 6 (Dec. 16, 2011).....	3
<u>WUTC v. PacifiCorp</u> , Docket No. UE-991832, 3rd Suppl. Order (Aug. 9, 2000).....	4

<u>Statutes and Rules</u>	
<u>Page</u>	
RCW § 82.28.010 .....	2
WAC § 480-07-390 .....	1

## **I. INTRODUCTION**

1 Pursuant to WAC § 480-07-390 and the Notice of Opportunity to File  
Limited Post-Hearing Briefs, dated December 3, 2012, the Industrial Customers of  
Northwest Utilities (“ICNU”) hereby submits this post-hearing brief requesting that the  
Washington Utilities and Transportation Commission (“WUTC” or the “Commission”) approve the multiparty Settlement Stipulation in this docket.

## **II. BACKGROUND**

2 On October 19, 2012, Commission Staff, Avista Corporation d/b/a/ Avista  
Utilities (“Avista”), ICNU, the Northwest Industrial Gas Users, and the Energy Project  
filed the Settlement Stipulation with the Commission for consideration. The Settlement  
Stipulation included a rate plan that would allow Avista to file moderate, defined rate  
increases in both 2013 and 2014 in exchange for an agreement not to file another general  
rate case (“GRC”) for an increase in rates to be effective before January 1, 2015. The  
Settlement Stipulation also required Avista to use money from the Energy Recovery  
Mechanism (“ERM”) to partially offset the rate increases. The Northwest Energy  
Coalition neither joined nor opposed the Settlement Stipulation, but the Settlement  
Stipulation was opposed by Public Counsel, and an evidentiary hearing was held on  
November 27, 2012. After hearing evidence on the Settlement Stipulation, the  
Commission extended to the parties the opportunity to file briefs addressing the narrow  
question of whether the 2014 rates, as proposed by the settling parties, are fair, just,  
reasonable, and sufficient.

### III. ARGUMENT

#### A. The 2014 Rates Represent a Just, Fair, and Reasonable Compromise of Positions Among the Parties

3 ICNU believes the Settlement Stipulation meets the fair, just, and reasonable standard. In addition, the Settlement Stipulation provides rate certainty for customers during 2013 and 2014. Finally, customers will receive the benefit of the positive balance in the ERM account to partially offset the revenue requirement increase agreed to by the parties. When all of these factors are considered together, ICNU believes the compromises contained in the Settlement Stipulation produce an outcome that is in the best interest of customers.

4 For many large industrial customers, electricity is a major cost component of production; in the current, challenging economic environment, it is vital that they have a degree of price stability as they begin to prepare budgets for 2014.<sup>1/</sup> ICNU's members include large, regional employers, for whom certainty at a reasonable price level is crucial. Therefore, the stability offered by the Settlement Stipulation's 2014 rates is in the public interest and a major benefit both to customers and for the regional economy.

5 This price certainty is strengthened by Avista's commitment not to support decoupling in 2014.<sup>2/</sup> In 2011, Avista proposed a form of limited decoupling in its Energy Efficiency Load Adjustment that would have resulted in unpredictable rate

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<sup>1/</sup> Norwood et al., Exh. No. JT-1T at 32.  
<sup>2/</sup> Id. at 35-36.

increases outside of the GRC process.<sup>3/</sup> By preventing Avista from supporting such a program or any other decoupling mechanism for 2014, the Settlement Stipulation provides even greater rate certainty and benefits to customers. The establishment of a firm, two-year rate is a key component of ICNU's support for the Settlement Stipulation.

**B. The 2014 Rates Are Reasonable Because They Are Offset in Part By ERM Dollars**

6 While price certainty is important to customers, it should not come at an unreasonable cost. Under the Settlement Stipulation, \$9.0 million will be refunded from the ERM deferral balance to customers in 2014, offsetting approximately one-third of the rate increase and reducing the bill impact to 2% on average.<sup>4/</sup> Taken with the 2013 ERM refund of \$4.4 million, this refund allows customers to receive the benefit of over \$13 million of ERM deferral funds. It is highly unlikely that customers would otherwise ever see these ERM dollars, given the high ERM rate adjustment trigger.<sup>5/</sup> While no rate increase is welcome to customers, using ERM dollars to mitigate the impact to ratepayers is a substantial benefit.<sup>6/</sup>

7 Staff's expert has noted that Avista has filed for rate increases virtually every year during the past decade, and that "[s]ince Docket UE-011595, the average

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<sup>3/</sup> Avista dropped its request for the Energy Efficiency Load Adjustment as a component of the partial settlement that resolved a majority of the issues in its 2011 general rate case. WUTC v. Avista, Docket No. UE-110876/UG-110877, Order No. 6 at ¶ 13 (Dec. 16, 2011).

<sup>4/</sup> Norwood et al., Exh. No. JT-1T at 8-9.

<sup>5/</sup> Id. at 33-34. Under the Settlement Stipulation, a \$30 million rate trigger will replace the current trigger, which is set at 10% of base revenues—approximately \$45 million. See Settlement Stipulation at 5.

<sup>6/</sup> Id.

electric rate increase has been 8.6 percent.”<sup>7/</sup> ICNU expects that this pattern of filings will continue in 2014 absent the Settlement Stipulation, meaning that customers could expect to face a request for an increase substantially greater than 3% in 2014—without the benefit of an ERM offset.

8                    In the past, the Commission has adopted multi-year settlements that were designed, among other things, to mitigate rate shock and hold a utility accountable for its costs.<sup>8/</sup> This Settlement Stipulation is reasonable because it brings much needed rate stability to Avista customers, but does so without abrupt, unreasonable bill impacts.

#### IV. CONCLUSION

9                    The Settlement Stipulation includes rates for 2014 that are fair, just, and reasonable. In return for smaller increases than Avista has typically received in GRC filings, customers receive rate stability through the end of 2014, as well as the benefit of ERM dollars to mitigate the bill impacts of the increase. As such, the Settlement Stipulation is a reasonable compromise of value that sets rates that are just and fair, and ICNU requests that the Commission approve the Settlement Stipulation as filed.

Dated this 7th day of December, 2012.

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<sup>7/</sup> Elgin, Exh. No. KLE-7T at 6; see Elgin, Exh. No. KLE-5.  
<sup>8/</sup> WUTC v. PacifiCorp, Docket No. UE-991832, 3rd Suppl. Order at ¶¶ 33, 38 (Aug. 9, 2000).

Respectfully submitted,

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