



U-210590

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

November 29, 2021

Ms. Amanda Maxwell
Executive Director and Secretary
Washington Utilities & Transportation Commission
621 Woodland Square Loop SE
Lacey, WA 98503

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State Of WASH.
UTIL. AND TRANSP.
COMMISSION

RE: Docket No. U-210590 – Comments of Avista Regarding the Commission’s Proceeding to Develop a Policy Statement Addressing Alternatives to Traditional Cost of Service Ratemaking

Dear Ms. Maxwell:

Avista Corporation, dba Avista Utilities (Avista or the Company), is providing the following comments in response to the Commission’s Notice of Opportunity to File Written Comments (Notice), dated October 20, 2021, in the above-captioned docket. Overall, Avista believes that the Commission has put forth a plan that is both thoughtful and deliberate. Before addressing the questions set forth in the Commission’s Notice, we wanted to raise three observations.

First, as we jointly consider “Alternatives to Traditional Cost of Service Rate Making”, it appears that the Phases set forth in the Notice have a distinct focus on performance metrics, goals, incentives, and reporting. Again, this is a worthwhile first step, but doesn’t seem to move the needle on traditional cost of service rate making – where utilities recover prudently incurred costs and a rate of return on capital investment. Perhaps that will be addressed in Phase 2B or as a part of Phase 4?

Second, we have all heard that moving away from Cost of Service ratemaking in other jurisdictions has been a worthwhile, but very lengthy, undertaking. Proceedings in New York, Hawaii, and ongoing proceedings in Minnesota point to the difficult task at hand for the Commission and stakeholders. Avista appreciates that the Commission will be developing a Policy Statement, rather than proposing defined rules, so that the Commission can necessarily pivot as all of us learn more about performance based ratemaking generally.

Finally, Avista has announced publicly that we will be filing a general rate case that includes a Multi-Year Rate Plan in early 2022, and other regulated utilities may also do the same in 2022. For Avista, we will be providing a limited set of performance metrics in the upcoming case. Those metrics, and perhaps others proposed by the parties during the pendency of our case, will be reviewed and adjudicated essentially in tandem with Phase 1 in this proceeding. While both tracks

can and should happen simultaneously, the Commission may want to have a bit more process in early 2023 to gather feedback on any final metrics approved in Avista's (or others) general rate case, so that any feedback can be included in the Phase 1 Policy Statement.

Provided below are Avista's responses to the additional questions posed by the Commission to Stakeholders:

1. Do you have any thoughts, concerns, or suggestions on the proposed scope or timing of Phase 1?

As stated earlier, the Commission may want to think about taking more time to complete Phase 1 given that metrics proposed by utilities and parties in upcoming general rate cases will be reviewed and adjudicated essentially in tandem with Phase 1 in this proceeding.

2. What are the most important issues for the Commission to address in Phase 1?

For Avista, perhaps the most important issue for the Commission to address is not necessarily related to objectives, principles, and metrics, but perhaps to outline how it will necessarily limit or constrain the total number of metrics to include in the Phase 1 Policy Statement. As Avista has been preparing the forthcoming general rate case, we have reflected on the sheer number of reports and amount of data that we currently provide to the Commission. In short, it is quite overwhelming, and does not include other potential metrics that parties will raise during the proceeding. By no means are we diminishing any metrics that may be proposed, but Avista can see a path where dozens of various metrics could be proposed for inclusion. Consideration, analysis, and review of so many potential metrics we believe could overwhelm the Commission and Stakeholders, and therefore the proposed timeline. Remembering that regulation and ratemaking is a marathon, and not a sprint, perhaps the Commission could focus on metrics related to reporting already provided by utilities to the Commission – reporting that has been developed with the Commission, with rate case parties, by Order, or by law. Then, perhaps new metrics could be reviewed in Phase 4 – the continuous improvement phase. In the end, Avista supports metrics that are sensible and fair, and that will evolve over time. Over-engineering metrics during this proceeding could bog down the process, and the results of such metrics without thorough analysis could lead to unintended consequences.

3. Do you have any thoughts, concerns, or suggestions on the overall Work Plan, including on the proposed scope or timing of Phases 1 through 4?

Avista would just reiterate that perhaps some clarifications of what will occur in Phases 2B and 4 would be good, under the context of transformation of the utility industry away from (or alternatives to) the traditional regulatory earnings model – that is invest in prudent plant and receive a return of and on that investment.

4. Are there additional topics the Commission should consider addressing, or any additional phases the commission should consider including in this Work Plan?



Perhaps as a part of Phase 1 the Commission could set forth its overall guidance of what it is looking to achieve in this process. What Avista means by that is placing some guidrails around how many regulatory objectives, and metrics, will be considered during this process. It is difficult to understand that now, but we think it is important for the Commission to guide the parties perhaps to a handful of objectives to target, with a select number of metrics. Again, let's not over-engineer this, learn over the next few years of what works, and then pivot as necessary and layer on more metrics to address critical objectives down the road.

5. *Do you have any other comments you would like to offer on the proposed Work Plan or on the development of policy under RCW 80.28.425 more generally?*

Avista has no further thoughts, concerns, or suggestions for Phase 1 other than that outlined earlier in our comments.

Avista thanks the Commission for providing this opportunity to comment. If you have any questions, please feel free to contact me at 509.495.8620 or by email at patrick.ehrbar@avistacorp.com.

Sincerely,

/s/ Patrick Ehrbar

Patrick Ehrbar
Director of Regulatory Affairs

