

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION STAFF  
RESPONSE TO DATA REQUEST

DATE PREPARED: September 22, 2016  
DOCKET: UE-160228/UG-160229  
REQUESTER: ICNU

WITNESS: Christopher S. Hancock  
RESPONDER: Christopher S. Hancock  
TELEPHONE: (360) 664-1312

**REQUEST NO. 2:** Please refer to Exhibit No. CSH-10T at 5:18-6:1. Can Staff identify any specific statements in the Commission’s Order 05, in Avista’s last rate case, which support Mr. Hancock’s testimony that “extrapolating was appropriate if the data was drawn from a consistent period of time”? If yes, please identify all supporting statements.

**RESPONSE:** Objection as overly burdensome to the extent ICNU is asking Staff to conduct legal research and author an exhaustive discussion of the Commission’s final order in Docket UE-150204. The Commission’s order is readily available to ICNU directly for research and review, which is more convenient, less costly, and less burdensome for the Parties. Staff cannot provide an exhaustive discussion of the Commission’s 100-plus page final order in discovery, particularly given the limited time available at this stage of the proceeding.

Without waiving its objection, Staff has made a good faith effort to offer specific citations in response to ICNU’s request. Staff would again point out that Order 05 is publicly available and ICNU can review the entirety of the order at its convenience to develop its own analysis.

The Commission approved the methodologies adopted by Staff and Avista in the previous rate case. Please see language in paragraphs 104, 113, and 114 from Order 05 in Docket 150204.

“Although . . . the Company and Staff ultimately adopt a common methodological approach, they differ on two key and relevant factors in the application of the methodology: specifically, the term of the historical data and the escalation factor.”<sup>1</sup>

“[T]he principle that an attrition study should use multiple years of historical data to arrive at a stable, non-volatile projection of revenue, expenses and rate base.”<sup>2</sup>

The Commission described Staff’s methodology as “a sound methodology for developing an escalation rate from historical data.”<sup>3</sup>

Footnote 168 states that the “sound methodology” used a least-square method for fitting a line to the data.

“[T]he Company’s time period rather than that of Staff,” and “recognize[d] the use of informed judgment in determining which time period may best represent future costs and revenue.”<sup>4</sup> The “time period” is singular.

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1 Docket UE-150204, Order 05 at ¶ 104.  
2 *Id.* at ¶ 113.  
3 *Id.* at ¶ 114.  
4 *Id.* at ¶ 114.

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**REQUEST NO. 3:** Does Staff agree that, in UE-150204, Avista's last general rate case:

- a. Staff used a 2009-2014 time period, as the basis of its attrition analysis?
- b. Staff developed an escalation rate based on a 2013-2014 trend analysis?
- c. The Commission explained that it has, and may again, modify escalation rates depending on the specific factual circumstances in a case?

If Staff does not agree, please provide a narrative explaining Staff's alternative understanding.

**RESPONSE:**

- a. Yes. Mr. Hancock's direct testimony addressed this question on page 28.<sup>5</sup>
- b. No. Staff developed an escalation rate that was the arithmetic average of the one-year trend in O&M expense from 2013 to 2014 and the Company's O&M escalation rate of 3 percent presented in its direct testimony in Docket UE-150204. Ultimately, the Commission used an escalation rate based on the average of a 2009-2014 trend, and a 2013-14 trend. In this current case, Staff has used a single historical time period for the development of all escalation factors.
- c. With the caveat that it is unclear which specific language or section of the Commission order the question refers to, the general response to 3.c., above is "Yes." The Commission has discretion to adjust assumptions based on the specific facts and evidence of a particular case.

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<sup>5</sup> CSH-1T at 28.

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**REQUEST NO. 5:** Please refer to Exhibit No. CSH-10T at 5:18-20, in which Mr. Hancock testifies that Mr. Mullins' attrition study is inconsistent "with the basic methodology approved in the Commission's Order 05 in Avista's last rate case." Is Staff's understanding that the Commission only approved a single attrition study methodology in that order, to the exclusion of any methodological variants?

**RESPONSE:** No. Staff's comment was that Mr. Mullins's attrition study is not consistent with the methodology approved in Order 05, not that the Commission has actively rejected Mr. Mullins's approach.