

BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND)	DOCKETS UE-220053,
TRANSPORTATION COMMISSION)	UG-220054, and UE-210854
)	<i>(Consolidated)</i>
Complainant,)	
)	
v.)	
)	
AVISTA CORPORATION d/b/a)	
AVISTA UTILITIES)	
)	
Respondent.)	

POST-HEARING BRIEF OF THE
ALLIANCE OF WESTERN ENERGY CONSUMERS

October 21, 2022

I. INTRODUCTION

1 Pursuant to the Washington Utilities and Transportation Commission’s (“Commission”) Order 04 in the above-referenced dockets, the Alliance of Western Energy Consumers (“AWEC”) hereby files this Post-Hearing Brief.¹

2 Avista Corporation (“Avista” or “Company”), AWEC, Staff of the Washington Utilities and Transportation Commission (“Staff”), the NW Energy Coalition (“NWEC”), The Energy Project (“TEP”), Sierra Club, Walmart, Inc. (“Walmart”) and Small Business Utility Advocates (“SBUA”) (collectively, “Settling Parties”) filed a Full Multiparty Settlement Stipulation (“Settlement Agreement”) that resolves all issues in this proceeding. Public Counsel is either supportive or neutral on most issues included in the Settlement Agreement, but raised specific concerns and offered recommendations in its Response Testimony, largely related to electric and natural gas revenue requirement and Rate of Return.²

3 Contrary to Public Counsel’s assertions otherwise, viewed holistically, the Settlement Agreement is in the public interest, as it results in rates that are fair, just, reasonable and sufficient for the services rendered by Avista. Accordingly, AWEC continues to support the Settlement Agreement as filed in these dockets, and recommends the Commission adopt it without modification.

¹ Dockets UE-220053 & UG-220054, Order 04 (Mar. 1, 2022).

² Exh. CJD-1T. *See also* Exh. AT-1T (Recommendations related to adjustments to baseline vegetation program operating expenses, 2023 and 2024 wildfire-related capital additions, and establishment of the Insurance Balancing Account); Exh. DJG-1T (Recommendations related to Avista’s Rate of Return); Exh. RLE-1T (Recommendations related to power costs and Energy Imbalance Market Benefits); and Exh. SC-1CT (Recommendations related to revenue requirement).

II. ARGUMENT

4 When evaluating a settlement, the Commission considers the “end result” to determine whether rates are fair, just, reasonable and sufficient, rather than the individual methods by which rates are determined.³ The Commission approves settlements that are “lawful, supported by an appropriate record, and consistent with the public interest in light of all of the information that is available to the commission.”⁴ AWEC supports the Settlement Agreement, without modification because it reflects a significant reduction from Avista’s initial request, thereby striking an appropriate balance between Avista’s customers and shareholders. The result is rates that the Settling Parties agree are fair, just, reasonable and sufficient for Avista to meet its service obligations to customers.

5 Avista initially sought significant base rate increases for its electric and natural gas services totaling \$70 million for electric service and \$13.1 million for natural gas service over its requested two-year rate plan, partially offset by one-time customer credits of approximately \$25.5 million for electric customers and \$12.5 million for natural gas customers related to incremental Accumulated Deferred Income Tax (“ADIT”) credits.⁵ This request

³ See *WUTC v. Avista Corporation*, Dockets UE-120436 and UG-120437 (consolidated), Order 09, ¶ 76 and Dockets UE-110876 and UG-110877, Order 14, at 29 (Dec. 26, 2012), referring to *Federal Power Comm'n v. Hope Natural Gas Co.*, 320 U.S. 591, 603, 64 S.Ct. 281, 88 L.Ed. 333 (1944) for the conclusion that “Ultimately, it is the ‘end result’ that is the test of whether proposed rates are fair, just, reasonable, and sufficient.”

⁴ WAC 480-07-750(2).

⁵ Net of tax credits, Avista initially sought a first-year increase of 7.4% for electric service and 2.5% for natural gas service, followed by an additional 2.8% increase for electric service and 1.7% increase for natural gas in the second year. Of particular interest to AWEC, Electric Schedule 25 customers were projected to realize a first-year increase of 7.6% and a second-year increase of 3.0%. Settlement Agreement at ¶¶ 2-3.

would have resulted in significant increases for Avista's customers, including Avista's industrial customers, during a period of economic challenges and high inflation.

6 Following extensive discovery and settlement discussions, the Settling Parties reached an agreement to reduce Avista's filed case by nearly half – the resulting electric revenue requirement increases for years one and two are \$38.0 million and \$12.5 million, respectively, and the resulting natural gas revenue requirement increases for years one and two are \$7.5 million and \$1.5 million, respectively, with a Rate of Return of 7.03 percent.⁶ While no party agreed to the methodology used to arrive at these results, the settlement strikes a reasonable balance between the interests of Avista's shareholders and customers. The settlement in this case also appropriately implements the requirements of a multi-year rate plan in a way that balances customers' interests over the two-year term of the plan by including safeguards such as ensuring that only plant that is used and useful is non-refundable, as well as the inclusion of the SB 5295 earnings test.⁷

7 When viewed as a whole, the settlement allows Avista the opportunity to recover prudent and reasonable costs, as well as an opportunity to earn an appropriate Rate of Return, while ensuring that customers are not overly burdened with substantial rate increases, particularly given the current challenging economic climate. In sum, the stipulated rates allow Avista to provide safe and adequate service while ensuring that customer rates are just and reasonable.

⁶ Exh. JT-1T at 41:14 – 42:10; Settlement Agreement, ¶ 10.

⁷ Exh. JT-1T at 42:18-22.

8 Public Counsel argues that absent adoption of its recommendations on discrete revenue requirement issues and the Company’s cost of capital, the settlement as a whole is inconsistent with the public interest.⁸ Public Counsel reaches this conclusion despite its testimony that a vast majority of the issues resolved by the Settlement Agreement are consistent with the public interest.

9 While AWEC understands the desire to minimize revenue requirement and reduce the Company’s Rate of Return, doing so in this case risks abandonment of the Settlement Agreement by one or more of the Settling Parties, given the right of each Settling Party to withdraw from the agreement if the Commission rejects all or any material portion of the settlement.⁹ The Settlement Agreement was reached following arm’s-length negotiations that balanced the interests of all parties, and resulted in an overall revenue requirement that is both supported by the record and has the support of every party with the exception of Public Counsel.¹⁰ Upending the Settlement Agreement is a result that should be avoided. As is its long-standing practice, the Commission should consider the “end result” of the Settlement Agreement and conclude that it results in overall rates that are fair, just, reasonable and sufficient.

⁸ Exh. CJD-1T 18:3-9.
⁹ Settlement Agreement at ¶ 32.
¹⁰ Exh. JT-1T at 40:20 – 54:7.

III. CONCLUSION

10 As demonstrated by the record in this proceeding, the Settlement Agreement is consistent with the public interest. Accordingly, the Commission should accept the Settlement Agreement without modification.

Dated this 21st day of October 2022.

Respectfully submitted,

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