

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION STAFF
RESPONSE TO DATA REQUEST

DATE PREPARED: January 5, 2018
DOCKET: UE-170485/UG-170486
REQUESTER: Public Counsel

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

REQUEST NO. 12:

Re: Multi-year Rate Plans, Response Testimony of Mr. Christopher Hancock.

Mr. Hancock testifies in Exh. CSH-1Tr at 13:13-14: “It can be helpful to think of a multi-year rate plan as a deliberate use of regulatory lag.” Please explain, with particularity, how escalating rate increases between years 1, 2, and 3 of Staff’s proposed rate plan support the principles of regulatory lag. Refer to Staff’s proposed revenue requirement increases below (from Exh. CSH-1Tr at 45 and 46).

(\$ in millions)	<i>Year 1</i>	<i>Year 2</i>	<i>Year 3</i>
Electric	\$10,034	\$9,520	\$9,740
Natural Gas	\$1,215	\$2,701	\$2,788

RESPONSE:

A multi-year rate plan fixes or sets rates for the period of the multi-year rate plan. Please also refer to the following Q&A from Mr. Hancock’s testimony:

Q. So is a multi-year rate plan a form of regulatory lag, or a solution for regulatory lag?

A. Both. A multi-year rate plan is a form of regulatory lag, in that the prices the utility charges in the near and medium term are fixed. However, it is also a solution to regulatory lag, in that the prices a utility charges its customers are updated in a manner consistent with the changes in prices that the utility itself faces.¹⁴

The revenue requirement increase schedule referenced in this data request “is a form of regulatory lag, in that the prices the utility charges in the near and medium term are fixed.”¹⁵

Furthermore, the revenue requirement increases in the schedule referenced in this data request (particularly years 2 and 3) were established by escalating from a modified historical

¹⁴ Hancock, Exh. CSH-1Tr at 17:1-6.

¹⁵ Hancock, Exh. CSH-1Tr at 17:1-2.

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test year with limited pro forma adjustments, a method that Staff testified has “baked in”¹⁶ regulatory lag. For example, as Mr. Hancock explained that “the regulatory lag inherent in escalating from Staff’s modified historical test year accomplishes the same ends [as a ‘stretch factor’ to incentivize efficient operation and administration of the utility].”¹⁷

Indeed, this is an objection Avista’s Ms. Andrews has made in her rebuttal testimony.¹⁸

¹⁶ Hancock, Exh. CSH-1Tr at 8:20.

¹⁷ Hancock, Exh. CSH-1Tr at 42:4-6.

¹⁸ *E.g.*, Andrews, Exh. EMA-10T at 30:12-16.