

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION)	DOCKETS UE-150204 and
)	UG-150205 (<i>Consolidated</i>)
Complainant,)	
)	JOINT PARTIES' REPLIES TO STAFF
v.)	RESPONSES TO BENCH REQUEST
)	NOS. 19 AND 20
AVISTA CORPORATION d/b/a)	
AVISTA UTILITIES)	
)	
Respondent.)	

Joint Parties' Reply to Staff Response to Bench Request No. 19:

The Joint Parties appreciate the opportunity to respond to Staff's response and, in reply, would like to identify a few differences between the attrition revenue requirement calculations of Staff and those of the Joint Parties. As discussed in the Joint Parties' Motion for Clarification, the Joint Parties do not seek to modify any factual findings or legal conclusions within Order 05 through the Motion. Rather, the Joint Parties seek clarification and suggest the potential need for corrections to attrition calculations.

The most significant difference between the attrition calculations of Staff and the Joint Parties may be in the treatment of Project Compass as a "post-attrition" adjustment. Staff appears to have interpreted Order 05 to require the removal of the Project Compass post-attrition adjustment, in its entirety. The Joint Parties interpreted Order 05 differently—i.e., the Commission, in rejecting Staff's prudence challenge, appears to have rejected Staff's downward adjustment to the Project Compass post-attrition adjustment in the model and accepted Avista's post-attrition adjustment for Project Compass. Order 05 at ¶¶ 174, 299.

A second difference between the two attrition models has to do with the base model for attrition revenue requirement calculations: Exhibit No. CRM-2 Revised or Exhibit No. EMA-6. While the differences were small, the two attrition models applied different

escalation factors for all categories of costs. Believing it was the Commission's intent to use Staff's attrition model and escalation factors in Order 05, the Joint Parties used the escalation factors in CRM-2 Revised as the basis for attrition calculations. As the four attachments to Staff's Responses to Bench Requests 19 and 20 demonstrate, however, the differences between the calculations derived from either exhibit are very modest in relation to the differences between Staff's calculations and the Commission's in Order 05. Similarly, if the Joint Parties had derived calculations from EMA-6, rather than CRM-2 Revised, the difference between the calculations derived from either exhibit would have been modest in comparison to the Commission's calculations in Order 05.

The third difference has to do with Accumulated Deferred Income Taxes ("ADIT") for distribution plant. In rejecting the escalation of distribution plant, the Commission does not appear to have made any mention of whether the escalation applied to ADIT should also be adjusted. The Joint Parties made no such adjustment. Conversely, Staff appears to have adjusted ADIT in order to reflect the Commission's rejection of escalation on distribution plant.

The fourth difference has to do with the October power supply update. Both Staff and the Joint Parties recognize that the Avista's October power supply update did not include the power supply calculations, based on 2016 loads, as necessary to input the update into the attrition model. To remedy this, the Joint Parties recommended that the \$12.3 million revenue requirement reduction be applied as an adjustment outside of the attrition model. While Staff was not opposed to applying this adjustment outside of the model, Staff has also proposed a methodology that would estimate 2016 power costs in the attrition model.

In sum, the Joint Parties are not necessarily opposed to any of Staff's interpretations or overall recommendations, but identify differences in this reply. In any event, the Joint Parties continue to suggest that the Commission may need to clarify and correct certain attrition calculations associated with Order 05.

Joint Parties' Reply to Staff Response to Bench Request No. 20:

Please see the Joint Parties' Reply to Staff's Response to Bench Request No. 19.