

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,

Complainant,

v.

AVISTA CORPORATION d/b/a
AVISTA UTILITIES,

Respondent.

DOCKET NO. UG-021584

REPLY BRIEF ON BEHALF OF COMMISSION STAFF

DONALD T. TROTTER
Senior Counsel
Counsel for Commission Staff

January 9, 2004

TABLE OF CONTENTS

I.	SUMMARY	1
II.	REPLY TO AVISTA	1
A.	Avista Has Not Passed the Cross-Subsidy Test for Affiliated Interest Transactions	1
1.	The Commission’s Inability to Determine Avista Energy’s Costs is Not Limited to Tier 3	2
2.	The Information Relevant to the Mechanism’s Formula is Not Relevant to the Determination of Avista Energy’s Costs	3
B.	The Structure of the Proposed Mechanism is Unsound. Avista’s Subjective Support for its Proposed Benchmarks Is Insufficient Proof the Mechanism is Appropriate	5
1.	Avista’s Figures Prove the Mechanism’s Incentives Are Inappropriate	6
2.	Avista’s Proposed “Balancing Act” is Not Appropriate Because it Rests on Subjective Considerations. Avista Has Not Even Proved the Proposed 80/20 Sharing Percentages Are Appropriate	7
3.	In Any Event, Avista Has Not Provided Sufficient Information to Enable the Commission to Conduct a Defensible “Balancing”	7
4.	Conclusions.....	8
C.	Ratepayers Are Not Getting a Good Deal	9
1.	Currency Risk	9
2.	“Load Volatility”	10

3.	Transportation Benefits	11
(1)	Avista’s Analysis of Exhibit 214 Proves Its Position on Transportation Benefits is Unrealistic	11
(2)	Avista’s Pessimistic Outlook for Off-System Sales and Capacity Releases is Also Unjustified	13
D.	Miscellaneous Issues	13
1.	Avista Mischaracterizes the Record By Omitting Key Facts	14
2.	Investors Will Not Recognize Attempts to “Shift Risk” Between Avista Utilities and its Affiliate	16
3.	Experience Belies Avista’s Claim that the Mechanism is Needed Now More Than Ever	17
4.	Memos From Commission Staffs in Other States Do Not Inform or Dictate Appropriate Action Here	18
5.	Avista Says Staff Made “Numerous” and “Significant” Errors in Calculating a Transportation Benefits Threshold, But Avista Does Not Identify Any	19
III.	REPLY TO PUBLIC COUNSEL	20
IV.	CONCLUSIONS AND RECOMMENDATIONS	20