

BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION)	DOCKETS UE-160228 and UG-160229 (<i>Consolidated</i>)
)	
Complainant,)	
)	
v.)	THE INDUSTRIAL CUSTOMERS OF NORTHWEST UTILITIES' RESPONSE TO AVISTA'S MOTION TO SUPPLEMENT THE RECORD TO INCLUDE POWER SUPPLY UPDATE
AVISTA CORPORATION d/b/a AVISTA UTILITIES)	
)	
<u>Respondent.</u>)	

I. INTRODUCTION

1 Pursuant to the November 4, 2016 Notice Extending Time for Responses to Motion to Supplement the Record to Include Power Supply Update, the Industrial Customers of Northwest Utilities (“ICNU”) files this answer to the Motion of Avista Corporation (“Avista” or the “Company”) to Supplement the Record to Include Power Supply Update (“Motion”). Although ICNU does not necessarily oppose the Motion, ICNU has reviewed the power cost update information that the Company presented and has identified certain questions and concerns worthy of potential consideration by the Washington Utilities and Transportation Commission (“WUTC” or the “Commission”).

II. RESPONSE

2 From ICNU’s perspective, the lack of a planned discovery process regarding the proposed power supply update is not ideal. That said, ICNU is not recommending any additional party process. Rather, to the extent that the Commission, or its advisory staff, has questions or

concerns similar to those raised by ICNU below, resolution could potentially be addressed via bench request. Accordingly, ICNU requests that the Commission consider the issues identified below when determining the reasonableness of Avista's power supply update.

A. The Company Did Not Explain Why Power Cost Studies Were Not Performed Based on Pro Forma Loads

3 The attrition study uses two power cost studies: one based on historical loads, and another based on pro forma loads. When performing its power cost update, the Company appears to have updated only those power cost studies that relied on historical loads. The Company did not provide any power cost studies based on pro forma loads, which are a necessary input into the Attrition Allowance model.

4 In the Attrition Allowance model, the Company appears to have attempted to estimate the impact of updating the pro forma power cost studies, without actually running the models. Specifically, Avista seems to have reduced the pro forma power cost studies by an amount equal to the reduction modeled in the study that uses historical loads. For instance, in the 2017 Attrition Allowance study, on the Tab "Nov PF Power Supply 2017 load," Excel Column D, the Company simply adds an amount equal to the change in forecast power supply costs observed using historical loads.

5 Absent narrative discussion regarding this assumption, the Company's intentions are not exactly clear with respect to modeling power supply costs based on pro forma loads. From ICNU's perspective, it is not necessarily accurate to assume that power costs based on historical loads would decline by the same amount as power supply based on pro forma loads. Thus, the Commission may wish to conduct further investigation regarding the appropriateness of this assumption.

B. The Company Did Not Explain the Changes to the Lancaster Fixed Capacity Payment

6 The fixed capacity payment associated with the Lancaster generating facility increased by a very significant amount in the Company's update.^{1/} Upon review of the workpaper, the Company appears to have changed the formula for how this capacity payment was calculated, which was not necessarily tied to the update of market prices. However, Avista did not explain why the formula should have been changed, and accordingly, the Commission may conclude that there is insufficient information to determine the reasonableness of this proposed cost increase.

C. The Company Did Not Explain Why the Forecast Output from the Noxon Rapids Hydro Facility Declined Materially

7 In Avista's update, the average output from Noxon Rapids hydro project declined materially, with the greatest proportion of the reduced output occurring in the high-priced, summer months.^{2/}

8 ICNU did not necessarily expect the output from hydro facilities to be updated in the November filing, and was surprised to discover that the Noxon Rapids output changed materially. Yet again, the Company provided no explanation regarding the reduced output from this facility, and thus, ICNU has no basis to determine whether this aspect of the Company's

^{1/} Compare November Update workpaper: "Johnson Nov Update - Confidential Workpapers\Lancaster Fixed Capacity Payment_CONF.xls," with Initial Filing workpaper: "G. UE __ Johnson WP (AVA-Feb16)\Account 555 Confidential\Lancaster Fixed Capacity Payment_CONF.xls." To avoid the need for a confidential filing, ICNU has not listed the specific figure.

^{2/} This change can be noted by comparing the Aurora output in the file "XDB WA 2017 Filing_80 Years_Test_Year_Load_102016.xlsx," (provided as an update workpaper at "\Kalich Nov update - Confidential workpapers\Nov 2016 Power Supply Update\Compliance"), and the file "XDB WA 2017 Filing_80 Years_Test_Year_Load_121815.xlsx" (provided in response to ICNU Data Request 18 at "ICNU_DR_018C Confidential Attachment A\AURORA\2017," which can be made available upon request). Specifically, the difference can be noted on the tab titled "Energy (aMW)," Excel Row 6. To avoid the need for a confidential filing, ICNU has not listed the specific difference.

proposed update is reasonable. ICNU estimates that this reduction in energy output has a material impact on the Company's power costs. Based on average modeled monthly market prices, ICNU estimates that the impact of this reduced output is an approximate \$2.3 million increase to total Company power supply expense.

D. The Company Should Perform a "Step-Study" Detailing the Impact of Each Proposed Change

9 While a large amount of data was provided in the Motion filing, correspondingly little narrative detail was provided for parties to have an understanding of the magnitude and impacts of the various updates proposed. From ICNU's perspective, a more informative way to present a power cost update of this nature is by performing a "step-study," which involves making separate modeling runs for each sequential update proposed. A step-study better details the impact of each incremental change proposed by the Company, providing parties with a better sense of the items that are driving the changing levels of power costs.^{3/}

III. CONCLUSION


10 While ICNU has concerns about certain aspects of the Company's proposed update, ICNU does not necessarily oppose the Motion and does not view additional party process as necessary. Notwithstanding, ICNU requests that the Commission consider the above questions and concerns when evaluating the Company's update, and perhaps issue a bench request, to the extent that the Commission has similar concerns with the Company's update.

^{3/} See, e.g., WUTC v. Pacific Power & Light Co., Dockets UE-140762 *et al.*, Exh. No. GND-6 (providing a step-study, where each update proposed by the utility was identified, along with the cost impact of each update).

Dated this 10th day of November, 2016.

Respectfully submitted,

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