

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,

Complainant,

v.

AVISTA CORPORATION,

Respondent.

DOCKETS UE-160228/UG-160229

DECLARATION OF
DAVID C. GOMEZ

- 1 I, David Carlos Gomez, under penalty of perjury under the laws of the State of Washington, declare as follows:
- 2 I am over 18 years of age, a citizen of the United States of America, a resident of the State of Washington, and competent to be a witness.
- 3 I am employed by the Washington Utilities and Transportation Commission (Commission) as an Assistant Power Supply Manager. I have been employed in this position at the UTC for four years. As an Assistant Power Supply Manager, my responsibilities include: independent economic, statistical, technical and policy analysis as well as providing technical assistance on complex regulatory energy company issues that have statewide impact on industries, companies, consumers and other stakeholders. I am also the principle Staff witness for pro forma power supply costs in the above referenced dockets.
- 4 On November 1, 2016, Avista Corporation (“Avista” or “Company”) filed with the Commission its motion to supplement the record (Motion) with an update to power supply costs (Power Cost Update). Included in its Motion are seven attachments along with corresponding workpapers for Company witnesses Kalich, Johnson and Cox.¹ I have reviewed the Motion, including the attachments to the Motion, and the accompanying workpapers.
- 5 According to the Company, the 2017 rate year impact of the proposed Power Cost Update is a reduction to Avista’s as-filed pro forma net power supply expense of \$591,000.² For the first six-months of 2018, the Power Cost Update results in an incremental decrease to pro forma power supply expense of \$1.46 million.

¹ Avista’s response to Bench Requests 10.3 and 10.4 provides the same data as Attachments A through D contained in the Motion.

² The Company’s Attachment C in its Power Cost Update is in error when it states that it compares Avista’s system level net power supply expense against the amounts it offered in its rebuttal testimony. In actuality, the numbers presented in Attachment C compare results against the Company’s as-filed amounts.

6 Avista's as-filed electric revenue requirement is \$38.6 million for the 2017 rate year and \$10.3 million for the first six months of 2018. On rebuttal, Avista presented increased revenue requirements of \$40.1 million for 2017 and \$10.5 million for 2018. Avista ostensibly does not seek rates based on these increased revenue requirements. However, Avista applies its proposed power cost updates to the increased rebuttal revenue requirements for 2017 and 2018. In Avista's mind, this results in no change to the 2017 revenue requirement request because, when Avista subtracts the power cost update from Avista's higher rebuttal revenue requirement, the result still is greater than Avista's as-filed revenue requirement for 2017. Similarly, Avista applies its \$1.46 million 2018 power cost update to its rebuttal revenue requirement of \$10.5 million. In contrast to the treatment of the reduction for 2017, however, Avista revises its requested 2018 revenue requirement to the reduced amount, which is \$9.0 million.

7 Avista's Power Cost Update is unacceptable for the following reasons:

- a. Rather than use this motion as an opportunity to simply update gas and power price forecasts, Avista has made new and material changes to specific parameters within the Aurora model itself. Effectively, the Power Cost "Update" reflects the output of a functionally different power cost model than that included in the Company's original case.
- b. Assumptions and estimates made earlier in the case by Company witnesses have been modified without the benefit of testimony. Staff and other intervenors do not have sufficient opportunity to review the merits of the modeling changes made by the Company or to verify the reasonableness or accuracy of the model results.
- c. Avista's Power Cost Update for the 2017 rate period, even if it were verifiable and accurate, produces a negligible \$591,000 reduction to base power supply costs.³ Even Avista does not consider this to be material as the company is not proposing to modify its 2017 rate request to reflect this update. The value of this update is questionable and it unduly burdens the parties and the Commission near the conclusion of the case.
- d. A further issue with Avista's proposal for 2017 is that, based on Avista's four-page cover letter and the Attachment A accompanying the filing, it appears that Avista intends to change the ERM baseline even though the Company is not changing its 2017 revenue requirement. If it does so without passing along a revenue requirement decrease to customers, then Avista receives a minor yet unfair benefit.⁴ Given the modest size of the reduction, the most appropriate result is to make no changes to power costs in the revenue requirement calculation and make no changes to the ERM baseline.
- e. Avista requests a reduction of about \$1.5 million to its 2018 power costs. The initial as-filed increase to total revenues for the last six months of the proposed

³ \$591,000 is less than one-half percent of the Washington authorized power costs for 2016.

⁴ Effectively the reduction to the ERM baseline with no reduction to revenue requirements gives Avista an additional \$611,000 for corporate operations.

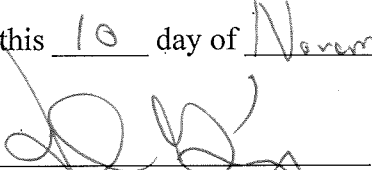
rate effective period (January 2018 through June of 2018) is \$10.3 million. On rebuttal, Avista re-estimates the 2018 increase to \$10.5 million. Avista, again, takes its rebuttal revenue increase and reduces this by the re-revised power costs to \$9.0 million.⁵ Staff continues to oppose any revenue requirement changes at the beginning of 2018. Staff's case provides for one revenue increase in 2017 that is sufficient to recover Avista's costs, including power costs, for the 18-month rate period ending in June 2018.

- f. Implementing yet another power cost "update" for January 2018 defeats the purpose of the Energy Recovery Mechanism. Avista's ERM mechanism protects both shareholders and customers from the effects of significant shifts in power costs. As I testified in responsive testimony, incorporating a second power cost update would result in two ERM baseline changes in 2018, one at January 1, and another at July 1, at the end of the rate period. Frequent baseline changes erode the protections of the ERM.

8 An acceptable power cost update would be performed after the Commission has issued its final order and would contain only the following:

- Material known and measurable updates to power contracts
- Updates to forward gas and market power prices
- Aurora model run parameters set identical to Avista's as-filed case or modified as may be specified in the Commission's final order.

DATED at Olympia, Washington, and effective this 10 day of November, 2016.



DAVID C. GOMEZ

⁵ That is a \$1.46 million reduction to the \$10.5 million proposed on rebuttal, rounded to \$9.0 million.