BEFORE THE WASHINGTON

UTILITIES & TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION,

COMPLAINANT

V.

AVISTA CORPORATION, d/b/a AVISTA UTILITIES,

RESPONDENT

DOCKETS UE-150204 and UG-150205 (*Consolidated*)

DONN M. RAMAS ON BEHALF OF PUBLIC COUNSEL

EXHIBIT DMR-36

Avista's Response to Public Counsel's Data Request No. 103

September 13, 2019

AVISTA CORP.
RESPONSE TO REQUEST FOR INFORMATION

JURISDICTION:	WASHINGTON	DATE PREPARED:	06/19/2019
CASE NO:	UE-150204 & UG-150205	WITNESS:	Elizabeth Andrews
REQUESTER:	Public Counsel	RESPONDER:	Liz Andrews
TYPE:	Data Request	DEPT:	Regulatory Affairs
REQUEST NO.:	PC – 103	TELEPHONE:	(509) 495-8601
		EMAIL:	liz.andrews@avistacorp.com

REQUEST:
Has the Company prepared a revised version of the electric attrition study that ties to the electric revenue requirement and electric attrition adjustment identified in the Commission's Order 05 dated January 6, 2016 in Dockets UE-150204 and UG-150205 (Consolidated)? This would be the revenue reduction of approximately $8.1 million and the electric attrition adjustment of approximately $28.3 million identified in paragraph 140 of the Order.

a. If no, explain in detail why not and explain how the Company was able to confirm the accuracy of the amounts contained in the Order without preparing a revised attrition study.

b. If yes, please provide an electronic version in excel format of the revised electric attrition study tying to the amounts identified in the Order with all calculations and formulas intact.

RESPONSE:

No. Based on the Commission Order, the Company could not replicate an electric attrition study model showing the approved reduction for electric base rates of $8.1 million revenue requirement and the electric attrition adjustment of approximately $28.3 million. To do so, the Company would have had to reproduce the electric attrition study model for the overall revenue requirement of $8.1 million, as well as the pro forma study model to determine the attrition adjustment. To have reconciled any attrition study would have required access to any models employed by the Commission, resulting in their approved $8.1 million revenue reduction and the electric attrition adjustment of approximately $28.3 million. As discussed below, Mr. Kermode explained the derivation of the electric revenue requirement in order conferences held for that purpose.

On January 7, 2016, Avista filed electric and natural gas tariff sheets revising Tariff WN U-28 to reflect the $8.1 million reduction in electric base revenue and Tariff WN U-29 to reflect the $10.8 million increase in natural gas base revenue as specified in Order 05. The Commission reviewed and approved the tariff sheets which became effective as filed, with an effective date of January 11, 2016.

It was unnecessary for the Company to produce a model to "confirm the accuracy" of the amounts approved by the Commission in Order 05, nor is it necessary within the scope of this remand proceeding[1].

[1] The mandate from the Court of appeals simply directed the WUTC "to recalculate Avista's rates without relying on rate base that is not used and useful" (See Order Granting Remand, supra, at p. 2). The WUTC then, in its Prehearing Order 07, at ¶ 11, defined the scope of testimony to be submitted in this remand proceeding as follows: "Testimony filed in this proceeding must address the portions of rates that incorporate or rely on rate base, rather than, for example, operations and maintenance expenses. Portions of rates that incorporate rate base may or may not include, for example, components of power costs." (emphasis added). Therefore, the scope of this remand proceeding is to effectively isolate the revenue requirement on the electric and natural gas rate base associated with the "attrition adjustment." This the Company has done in the Company's remand testimony and exhibits to be filed as Exhs. EMA-9T - EMA-19, on June 21, 2019.

In its Order 05, the Commission spent considerable time emphasizing the importance of the "end result" of its order. In particular, in paragraph 132, on page 49, of its Order 05 the Commission stated as follows (emphasis added):

> Were we to reject an attrition adjustment for electric revenue requirement in this case, the result under Staff's modified historical test year pro forma analysis would be a reduction in electric revenue requirement of more than $20 million. Public Counsel and the intervenors recommend even more severe reductions based solely on a modified test year analysis with known and measurable pro forma adjustments. We cannot reasonably conclude such an end result would be appropriate under the standards in Hope and Bluefield. The Commission's responsibility to set rates that are fair, just, reasonable, and sufficient turns not on the particular rate making methodology it selects, i.e., modified historical test year or attrition, but on its outcome, or "end results." Indeed, the Supreme Court in Hope determined that the Federal Power Commission (FPC) "was not bound to the use of any single formula or combination of formulae in determining rates." The Court explained that:
>
> > Under the statutory standard of 'just and reasonable' it is the result reached not the method employed which is controlling. It is not theory but the impact of the rate order which counts. If the total effect of the rate order cannot be said to be unjust and unreasonable, judicial inquiry under the [Federal Power] Act is at an end. The fact that the method employed to reach that result may contain infirmities is not then important. (emphasis added) (footnotes omitted)

Furthermore, as summarized by the Commission in its Order 06 of Dockets UE-150204 and UG-150205 (Consolidated), "Order Denying Joint Motion for Clarification, Denying Petition for Reconsideration, and Denying Motion to Reopen the Record" at paragraphs 23 and 24:

> Avista states that it does not challenge the end result of the Commission's order decreasing the Company's electric revenue requirement by $8.1 million, and argues that the decrease is within the "bounds of reasonableness" when compared to the Company's recommendation of a decrease in electric revenues of $5.7 million and other parties' recommendations for much larger decreases. Avista notes that, during the January 6, 2016, telephonic order conference, Staff asked "a question related to the significant difference between the attrition adjustment proposed by [it] and that approved by the Commission." The Company states that Mr. Kermode explained the derivation and further answered in the affirmative when asked by ICNU whether the updated power supply costs had been incorporated into the Commission's calculations. The Commission's reduction of $8.1 million to the Company's revenue requirement, according to Avista, will still allow it an actual opportunity to earn the stipulated 9.5 percent return on equity (ROE), in accordance with the parties' settlement. The Company argues that the $19.8 million revenue requirement decrease proposed by Joint Parties and the $27.7 million decrease recommended by Staff "would not come close to providing a reasonable opportunity for Avista to earn the agreed-upon 9.5 [percent] authorized ROE for 2016." Thus, Avista focuses appropriately on the end result reflected in Order 05 and cites specifically to the Commission's reliance on the 'end result" principle in the Hope Natural Gas Co. case that provides "it is the result reached not the method employed which is controlling." (emphasis added)

> To address the computational questions raised in both Joint Parties' and Staff's Motions, the Commission convened in its main hearing room on February 3, 2016, a second order conference with Administrative Law Judge Marguerite Friedlander presiding and led by the Commission's Accounting Advisor. Having reviewed the work papers supporting the Motion for Clarification and the Petition for Reconsideration, Mr. Kermode presented a careful, step-by-step explanation of the Commission's use of data, and its calculations and the resulting impacts when the various adjustments are included in Staff's attrition model reflected in Order 05. Mr. Kermode demonstrated conclusively that the results reflected in Order 05 are correct, based on the evidentiary record in these proceedings and that the Commission's application of Staff's attrition methodology is proper.

The Commission further clarified at paragraph 31 and 37 of Order 06 in response to Staff's "Motion to Reopen the Record":

> …during two order conferences the Commission's Accounting Advisor clarified why and how Staff's and Joint Parties' computations produce incorrect results in the context of the record in this proceeding. During these conferences, all parties, including Staff, Public Counsel, and ICNU, were invited to ask unlimited clarifying questions regarding the calculations and incorporations of the Commission's various decisions into Staff's attrition model. Given all of this, we certainly have made clear the Commission's results determined in Order 05 and have demonstrated their correctness as simply and as comprehensively as we can. To the extent not fully resolved to the satisfaction of the parties by Order 05 itself and by these post-Final Order clarification conferences, we conclude that no further clarification is required and determine that Staff's Petition for Reconsideration and Joint Parties' Motion for Clarification should be denied. … The Commission's Final Order, Order 05, approved an $8.1 million decrease in Avista's electric revenue requirement as a fair, just, reasonable, and sufficient end result, based on substantial record evidence. None of the Petitions, Motions, or Replies discussed in this order have offered convincing factual or legal arguments to alter that decision.