Authorized ROE Actual Commission Basis ROE <sup>1</sup> ROE After Application of Refund:	<b>9.50%</b> 9.60%	9.50%	9.50%
	9.60%		
OF After Application of Defunde		9.60%	9.29%
<b>NOE</b> Alter Application of Kelund.			
WA Commission Staff	<u>8.24%</u>	<del>7.98%</del>	<u>8.45%</u>
		<u>8.18%</u>	<u>8.75%</u>
Public Counsel	<u>8.37%</u>	<u>8.04%</u>	<del>8.41%</del>
		8.23%	<u>8.71%</u>
AWEC	<u>6.98%</u>	<del>6.99%</del>	<u>8.13%</u>
		7.16%	8.42%
		<u>8.23%</u> <del>6.99%</del>	

10 The Parties refund scenarios in 2018 were affected by the May 1, 2018 general rate increase 11 approved by the Commission. As shown above, even the highest return of  $8.75\% \frac{45\%}{45\%}$  return 12 on equity is a full  $\frac{105}{75}$  basis points below the authorized 9.5% return on equity approved in 2015.

13

14

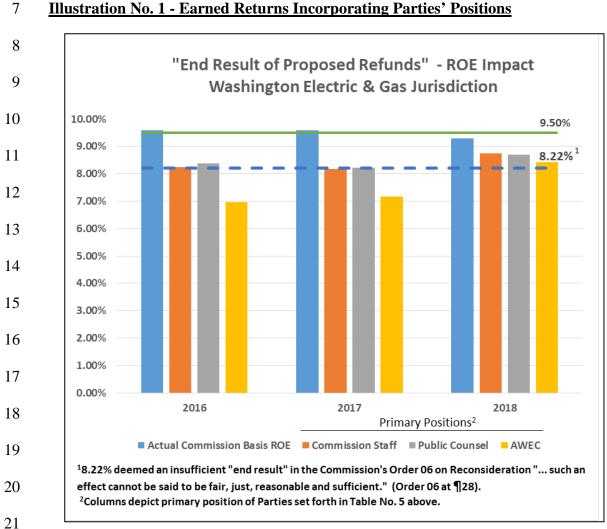
## **O**. Do you believe that any of those returns showing in Table No. 3 above

- 15 produce a reasonable "end result"?
- 16 A. No, I do not, nor are they consistent with what the Commission has already
- determined to be an "unreasonable" return in its earlier determination in this docket. In Order 17
- 18 05 in this proceeding, at ¶132, the Commission stated:
- 19 Were we to reject an attrition adjustment for electric revenue requirement in this case, 20 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 21 22 and the intervenors recommend even more severe reductions based solely on a modified test year analysis with known and measurable pro forma adjustments. We 23 24 cannot reasonably conclude such an end result would be appropriate under the 25 standards in Hope and Bluefield. The Commission's responsibility to set rates that are 26 fair, just, reasonable, and sufficient turns not on the particular rate making 27 methodology it selects, *i.e.*, modified historical test year or attrition, but on its 28 outcome, or "end results." Indeed, the Supreme Court in Hope determined that the

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1 of what they recommend doesn't matter. In fact, a reasonable "end result" should be the 2 primary objective of this Commission. As previously stated, the Commission already found, 3 in this proceeding, that an end result of 8.22% would not result in a reasonable end result. The 4 retrospective lookback provided in Table No. 3 (and graphically shown in Illustration No. 1 5 below) demonstrates that the Parties refunds would result in ROEs near or well below 8.22%, 6 and nowhere near the authorized 9.5% - i.e., not a reasonable "end result".



## **Illustration No. 1 - Earned Returns Incorporating Parties' Positions**

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