

**BEFORE THE WASHINGTON
UTILITIES & TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION,

Complainant,

v.

AVISTA CORPORATION,

Respondent.

DOCKET NO. UE-190334, UG-190335, and UE-190222 (*Consolidated*)

**TESTIMONY OF ANDREA C. CRANE
IN OPPOSITION TO THE NATURAL GAS PARTIAL STIPULATION
ON BEHALF OF THE
WASHINGTON STATE OFFICE OF THE ATTORNEY GENERAL
PUBLIC COUNSEL UNIT**

EXHIBIT ACC-14T

December 9, 2019

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OF ANDREA C. CRANE**

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EXHIBITS LIST

Exhibit ACC-6r	Revised Calculation of Recommended General Revenue Requirement Washington Gas Operations
Exhibit ACC-7r	Revised Details of Washington Gas Revenue Requirement Adjustments
Exhibit ACC-8r	Revised Summary of Recommended Washington Gas Revenue Requirement Adjustments
Exhibit ACC-15	Avista's Response to Public Counsel Data Request No. 102

I. INTRODUCTION AND BACKGROUND

1 **Q. Please state your name and business address.**

2 A. My name is Andrea C. Crane and my business address is 2805 East Oakland Park
3 Boulevard, # 401, Ft. Lauderdale, Florida 33308.

4 **Q. Did you previously file testimony in this proceeding?**

5 A. Yes, on October 3, 2019, I filed Response Testimony on behalf of the Washington Office
6 of Attorney General, Public Counsel Unit (“Public Counsel”) regarding the rate filing
7 made by Avista Utilities (“Avista” or “Company”) on April 30, 2019, whereby Avista
8 sought authorization from the Washington Utilities & Transportation Commission
9 (“Commission”) to increase its base rates for electric and natural gas utility services. In
10 addition, the Company requested approval of a two-year, multi-year rate plan and
11 authorization to continue a revenue decoupling mechanism, with certain modifications,
12 for an additional five years. My testimony addressed the Company’s proposed revenue
13 requirement, multi-year rate plan, and decoupling mechanism.

14 **Q. Please provide a brief summary of the rate increases requested in the Company’s**
15 **initial filing.**

16 A. In its initial filing, Avista sought an electric base revenue increase of \$45.8 million and
17 an increase in its base revenues for natural gas service of \$12.9 million. In addition,
18 Avista proposed that the Commission authorize a two-year rate plan for the Company,
19 whereby additional increases of \$18.9 million for electric and of \$6.5 million for natural
20 gas operations would be implemented in Year Two. The Company’s initial filing resulted

1 in electric base revenue increases of approximately 9.12 percent, in Year 1 and of an
2 additional 3.46 percent in Year 2. The Company's initial filing resulted in natural gas
3 base revenue increases of approximately 13.80 percent in Year 1 and of an additional
4 base revenue increase of 6.05 percent in Year 2.

5 **Q. What were your recommendations concerning the Company's revenue requirement**
6 **and its need for rate relief?**

7 A. In my Response Testimony, I recommended that the Commission authorize an electric
8 distribution base revenue increase of \$11.022 million and a natural gas base distribution
9 revenue increase of \$3.762 million. I also recommended that the Commission deny
10 Avista's request to implement a multi-year rate plan. Finally, I recommended that the
11 Commission modify Avista's revenue decoupling mechanism and limit any decoupling
12 mechanism to compensation for lost sales resulting from energy efficiency programs.

13 **Q. Since the filing of your Response Testimony, have the Parties engaged in settlement**
14 **discussions?**

15 A. Yes, they have. The parties engaged in several rounds of settlement discussions, which
16 resulted in a Partial Multiparty Settlement Stipulation ("Partial Stipulation").

17 **Q. Please briefly outline the terms of the Partial Stipulation.**

18 A. The Partial Stipulation provides for a base revenue increase of \$28.5 million, or 5.7
19 percent, for the electric utility and for a base revenue increase of \$8.0 million, or 8.5
20 percent, for the natural gas utility. In addition, the parties agreed to a cost of capital that
21 includes 48.5 percent common equity at a cost of 9.40 percent. The Partial Stipulation

1 does not include a multi-year rate plan. Thus, there is no specified increase for the second
2 year. The Partial Stipulation outlines the allocation of the revenue increase among the
3 various rate classes. The Partial Stipulation also has other provisions regarding the refund
4 of the final Energy Recovery Mechanism (ERM) balance over a specified two-year
5 period, the treatment of depreciation expense for the Colstrip Generating Facility Units 3
6 and 4 (“Colstrip”), and various miscellaneous provisions. The Partial Stipulation does not
7 address the Company’s proposed decoupling mechanism – the decoupling issue will
8 continue to be litigated.

9 **Q. Who are the parties to the Partial Stipulation?**

10 A. The parties to the Partial Stipulation include Avista, the Staff of the Washington Utilities
11 and Transportation Commission (“Staff”), Public Counsel, the Alliance of Western
12 Energy Consumers (“AWEC”), the NW Energy Coalition (“NWEC”), The Energy
13 Project, and Sierra Club.

14 **Q. Do all parties support all of the terms of the Partial Stipulation?**

15 A. No, Public Counsel does not support the natural gas base revenue increase of \$8.0
16 million. My Testimony in Opposition to the Partial Stipulation addresses Public
17 Counsel’s concerns regarding this provision. Corey Dahl previously filed testimony on
18 behalf of Public Counsel supporting the remaining terms of the Partial Stipulation.

1 **II. DISCUSSION OF THE ISSUES**

2 **Q. Does Public Counsel agree with the capital structure and cost of capital proposed in**
3 **the Partial Stipulation?**

4 A. Yes, Public Counsel supports the capital structure and cost of capital included in the
5 Partial Stipulation.

6 **Q. Have you recalculated your recommended gas utility revenue increase, based on the**
7 **cost of capital agreed to in the Partial Stipulation?**

8 A. Yes, I have. Attached is Exhibit ACC-7r, which revises ACC-7 to include the capital
9 structure and cost of equity reflected in the Partial Stipulation.¹ Based on the adjustments
10 discussed in my Response Testimony, Public Counsel now recommends a natural gas
11 base revenue increase of \$5.081 million, instead of the \$8.0 million proposed in the
12 Partial Stipulation. I have also attached Exhibits ACC-6r and ACC-8r, which update
13 previously filed exhibits related to the natural gas revenue requirement to reflect the
14 capital structure and cost of equity from the Partial Stipulation.

15 **Q. Why is Public Counsel opposed to the natural gas base revenue increase of \$8.0**
16 **million agreed to by the other parties in the Partial Stipulation?**

17 A. Quite simply, the increase is too high and does not result in fair, just, and reasonable
18 rates. The natural gas base revenue increase of \$8.0 million results in a base increase of
19 8.5 percent to customers that have been burdened by significant increases over the last

¹ Included as Andrea C. Crane, Exh. ACC-7r.

1 few years. According to the response to Public Counsel Data Request 102,² natural gas
2 customers have experienced increases virtually every year from 2009 to 2016. The
3 average annual revenue increase during this period was \$4.975 million, or 3.02 percent.
4 Although natural gas base rates remained unchanged from January 2016 until May 2018,
5 when they were reduced by \$2.1 million, the benefits enjoyed by ratepayers over the past
6 two years will effectively be wiped out if the proposed \$8.0 million increase is approved.

7 **Q. Are there specific components of the \$8.0 million increase with which you disagree?**

8 A. The revenue requirement reflected in the Partial Stipulation is the result of a “blackbox”
9 settlement, so it is not possible to determine the specific components of the agreement.
10 However, as discussed in my Response Testimony, many of the adjustments proposed by
11 Avista were not based on known and measurable changes to the test year but instead were
12 intended to effectively extend the test year as far out into the future as possible. I
13 continue to support the adjustments discussed in my Response Testimony with regard to
14 the natural gas utility, and I recommend that the Commission authorize a revenue
15 increase of no greater than \$5.081 million, based on the cost of capital agreed to by the
16 parties in the Partial Stipulation.

² Crane, Exh. ACC-15.

1 **III. CONCLUSION**

2 **Q. Please summarize your testimony.**

3 A. Public Counsel supports most of the provisions contained in the Partial Stipulation,
4 including the capital structure and cost rates contained therein. However, Public Counsel
5 does not support the natural gas increase of \$8.0 million agreed to by the other parties to
6 the Partial Stipulation. Instead, Public Counsel recommends that the Commission
7 authorize a natural gas revenue increase of no greater than \$5.081 million, based on the
8 adjustments discussed in my Response Testimony. While an increase of \$5.081 million
9 will still result in a substantial increase of approximately 5.4 percent, it will be more in
10 line with the rate base increase for electric service reflected in the Partial Stipulation. It
11 will also provide some relief to natural gas customers that have been burdened with
12 significant increases in natural gas rates between 2009 and 2016. For all these reasons, I
13 recommend that the Commission reject the natural gas revenue increase contained in the
14 Partial Stipulation and instead award Avista a natural gas increase of no greater than
15 \$5.081 million.

16 **Q. Does this conclude your testimony in opposition?**

17 A. Yes, it does.