

October 28, 2019

David Danner, Chairman
Ann Rendahl, Commissioner
Jay Balasbas, Commissioner
Washington Utilities and Transportation Commission
PO Box 47250
Olympia, WA 98504-7250

Dear Mr. Chairman and Commissioners,

I am the Treasurer for Northwest Citizens Power Coalition (NWCPC). Our organization was formed as a result of the previous request by Avista Corporation for permission to transfer ownership through a sale or merger to Hydro One Ltd..

We appreciate the Washington Utilities and Transportation Commission (WUTC) Commissioners' thorough investigation into that request and the subsequent denial of that request. We are also disappointed with the WUTC staff and those organizations granted petitions to intervene for the purpose of safeguarding the Avista customers and broader public interests since each of them recommended approval of this request by Avista and Hydro One. We believe those organizations granted intervener status should have done a far better job of safeguarding the Avista consumers and broader public interest.

In the WUTC Commissioner's denial of that request, the following statement was made: "Having found that the proposed transaction does not make customers better off than they could be without it we conclude as a matter of law that the proposed transaction does not provide a net benefit to customers". Had the WUTC staff and organizations with intervener status performed their jobs properly to safeguard the Avista consumers and broader public interest, they would have arrived at the same conclusion.

At issue today is the Commission's consideration of the Avista electric and gas rate increase requests. We offer the following comments and observations:

The Idaho Utility Commission approved a 2.91% electric rate increase effective October 1, 2019 with an average monthly residential bill of increase of \$2.40. This Idaho rate increase is well below the recommended Washington electric rate increase of 5.81% effective April 1, 2020 with an average monthly residential bill of increase of \$4.72. **Why are Avista's Washington electric customers paying more than Idaho electric customers for essentially the same electricity?**

The Oregon Utility Commission approved a 4.20% gas rate increase effective October 8, 2019 with an average monthly residential bill of increase of \$2.19. This Oregon rate increase is well below the recommended Washington gas rate increase of 6.40% effective April 1, 2020 with an average monthly residential bill of increase of \$2.97. **Why are Avista's Washington gas customers paying more than Oregon gas customers for essentially the same natural gas?**

When NWCPC was denied intervener status by the WUTC, we received assurances from the Washington Attorney General's office that provide staff to the WUTC that they would make every effort to safeguard the Avista consumers and broader public interest. We believe the WUTC has reduced the original Avista rate request substantially but the final recommended rate increases are still too high.

Included in the Avista rate increase are arguments that the Avista shareholders must receive an equitable rate of return on their investment to ensure that Avista can attract investors in the future. That original request was for a 9.5% return on shareholder investment. A 9.5% return on shareholder investment is ridiculous because Avista is a utility monopoly that provides investors with a guaranteed return on their investment. In this day and time, a 9.5% return on a utility investment is substantially more than Avista needs to attract shareholders in the future. Even after the WUTC staff reduced the return on shareholder investment to approximately 9%, it is my opinion that is still way too high.

The Avista rate increase process began in April 2019. At that time the share price was \$40.63. In eight short months the share price has increased by over 17% to \$47.62. This represents an equity value increase of more than \$460 million dollars in seven months. In my opinion, a reasonable increase in stock value would be 5% annually or 2.9% over a seven-month period. The primary reason why Avista's share price would increase by more than 17% is because the anticipated rate increase is substantially more than investors were expecting and, in my opinion, overly generous. The fact that the price has increased also suggests that there is no shortage of investors for Avista stock. What type of rate increase should the WUTC commissioners approve to the keep the Avista share price increase to a reasonable amount of 5% annually? I think that the WUTC staff have missed the mark and should consider granting a rate increase for both electric and gas rates that are closer to half that currently being recommended or 2.9% for electric and 3.2% for gas.

Finally, it is my opinion that the process for increasing utility rates in Washington, Idaho and Oregon is overly generous and has been for the last decade. On November 1, 2009 Avista's share price was less than \$19 per share as compared to the current price of almost \$48 per share. This is a 150% increase in the share price. This also reflects an increase in shareholder stock value of almost \$1.9 billion dollars. Since Avista's primary source of revenue is the rate payors, it clearly indicates that the rate payors will eventually be required to repay the shareholders' equity in the form of higher utility prices. This is another indication that the rate setting process has been overly generous for a decade and is broken. This needs to stop.

At a 5% return on equity per year for 10 years, Avista's share price would be approximately \$31 per share. Perhaps a zero percent return on shareholder equity should be approved until the Avista share price returns to a reasonable level.

October 28, 2019

Page 3

In conclusion, there are members of the Avista ratepayer community that believe the Inland Northwest has outgrown its need for an investor owned utility. They believe that Avista should be converted to a ratepayer owned cooperative with a primary focus on ratepayer wellbeing as opposed to shareholder wellbeing. If a lower return on their investment is not acceptable, the Avista shareholders need to know that ratepayers are waiting in the wings to operate Avista as a cooperative and eliminate the need for outside investment. This type of conversion would eliminate \$100 million dollars in dividends paid to investors primarily in New York City, eliminate income taxes, eliminate costly advertising, and reduce operating costs in other areas of operations. Cooperatives have better customer satisfaction, lower rates, and better infrastructure than investor owned utilities and it is past time that we make this change.

We appreciate your consideration of this request. If we can answer any questions or provide additional information, please contact me.

A handwritten signature in black ink that reads "Michael Bell". The signature is written in a cursive style with a large, sweeping initial "M".

Michael Bell
Treasurer - NWCP
2909 S. Howard Street
Spokane, WA 99203-1747
509-710-3892
mrbellcpa@gmail.com

Analysis of Avista Rate Increase

Source: Information included in the WUTC Media Advisory on October 22, 2019

	<u>Previous Monthly</u>	<u>Monthly Increase</u>	<u>Final Monthly</u>	<u>Percent Increase</u>
Electric	\$ 81.21	\$ 4.72	\$ 85.93	5.812%
Gas	\$ 46.40	\$ 2.97	\$ 49.37	6.401%

**From: Washington Utilities and Transportation
Commission wautc@public.govdelivery.com**
**Subject: Media advisory: Public invited to comment on
Avista's rate request**
Date: Oct 22, 2019 at 10:27:20 AM
To: Mrbellcpa@gmail.com



- Oct. 22, 2019 -

Media Contact: (360) 664-1116 or media@utc.wa.gov

Docket number: UE-190334 and UG-190335

MEDIA ADVISORY

Public invited to comment on Avista's rate request

Olympia, Wash. – Avista customers will have the opportunity to comment to state regulators on the company's proposed electric and natural gas rate changes.

WHAT

Public comment hearing on Avista's proposed electric and natural gas rate change request.

WHO

Washington Utilities and Transportation Commission

WHEN and WHERE

Monday, Oct. 28

Northeast Community Center

4001 N Cook St.

Spokane, Wash.

6 p.m.

BACKGROUND

In April, Avista filed a general rate case with the commission to request a two-year rate plan

for its electric and gas customers. For the first year of the rate plan, the company requested \$45.8 million in additional electric revenue and \$12.9 million in additional gas revenue. For the second year, the company requested an additional increase of \$18.9 million in electric revenues and \$6.5 million in natural gas revenues.

The company's proposed rates would increase the average residential electric customer's bill by \$7.93, for an average monthly bill of \$89.14. The company's proposal would also raise the average residential natural gas customer's bill by \$4.60, for an average monthly bill of \$51.

In October, Commission energy staff recommended smaller increases to electric and natural gas rates after reviewing the company's operating costs and new infrastructure investments.

Under staff's proposed rates for the first year of the rate plan, Avista's average residential electric customer using 918 kilowatt hours a month would pay \$4.72 more a month, for an average monthly bill of \$85.93. Avista's average residential natural gas customer using 66 therms a month would pay \$2.97 more, for an average monthly bill of \$49.37.

The three-member commission, which is not bound by the staff recommendation, will make a final decision on the utility's rate request next spring. New rates would go into effect April 2020.

The commission has received 115 public comments to date on Avista's rate proposal—114 opposed and one undecided.

Customers who want to comment on the proposed plans can submit comments online at www.utc.wa.gov/comments; write to P.O. Box 47250, Olympia, WA, 98504; email comments@utc.wa.gov; or call toll-free 1-888-333-9882.

The company last filed a rate case in 2017.

Spokane-based Avista serves more than 250,000 electric customers and nearly 164,000 natural gas customers in Eastern Washington.

The UTC is the state agency that regulates private, investor-owned electric and natural gas utilities in Washington. It is the commission's responsibility to ensure regulated companies provide safe and reliable service to customers at reasonable rates, while allowing them the opportunity to earn a fair profit.

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Editor's Note: The UTC is committed to providing reasonable accommodation to meeting participants with disabilities. If you need reasonable accommodation, please contact the

Analysis of Avista Shareholder Value Change
 Source: NYSE

<u>April 1, 2019</u>		<u>October 28, 2019</u>		Percent	
<u>Shares Outstanding</u>	<u>Price</u>	<u>Price</u>	<u>Value</u>	<u>Value</u>	<u>Change</u>
66,100,000	\$ 40.63	\$ 47.62	\$ 3,147,682,000	\$ <u>462,039,000</u>	<u>17.20%</u>

<u>November 1, 2009</u>		<u>October 28, 2019</u>		Change	
<u>Shares Outstanding</u>	<u>Price</u>	<u>Price</u>	<u>Value</u>	<u>Value</u>	<u>Value</u>
66,100,000	\$ 18.98	\$ 47.62	\$ 3,147,682,000	\$ <u>1,893,104,000</u>	<u>150.90%</u>

	<u>5% ROE per Year</u>
2009	\$ 19.00
2010	\$ 19.95
2011	\$ 20.95
2012	\$ 21.99
2013	\$ 23.09
2014	\$ 24.25
2015	\$ 25.46
2016	\$ 26.73
2017	\$ 28.07
2018	\$ 29.48
2019	\$ 30.95

DOW 27,050.72 152.66 (0.48%) 10/28/2019 8:25:03 32.58 (0.01%) 502500 1,025.12 16.37 (0.50%) 16,000,000
 Accounts Trading | Explore Products | Symbol | Keywords | Thematic Investing

US Markets Global Markets News Stocks Options Mutual Funds ETFs Futures Bonds & CDs Planning Tools

Knowledge

AVA Historical Quote 5

NYSE AVA AVISTA CORP COM October 23, 2019 5:08 PM ET

AVA AVISTA CORP COM

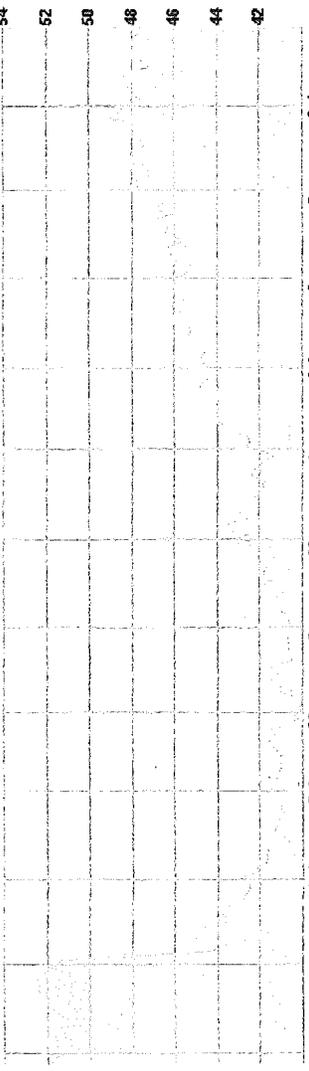
Buy Sell

Snapshot Charts News Options Analyst Research Fundamentals Earnings Insider Activity

Last Price \$47.65 Today's Change 0.13 (0.27%) Bid x Size 45.00 x100 Ask x Size 49.89 x100 Day's Range 47.62 - 48.15 Volume 273,082

NYSE Delayed Quote Last Trade as of 4:10 PM ET 10/28/19

1D 3D 5D 1M 3M 6M 9M YTD 1Y 3Y 5Y 10Y Max Custom
 Apr 1, 2019 Open 40.63 High 40.91 Low 40.38 Close 40.84 Volume 470,219
 Double Click to Place a Limit Order at 40.84



Volume (millions)

Frequency Daily Weekly Monthly

Price History

Date	Open	Day Low	Day High	Close	Volume
10/28/2019	47.62	47.62	48.15	47.65	273,082

Knowledge

AVA [Historical Quote](#) [Recent Quotes](#) [Portfolios](#)

NYSE **October 28, 2019 5:08 PM ET**

AVA AVISTA CORP COM

Utilities: Multiline Utilities

Buy Sell

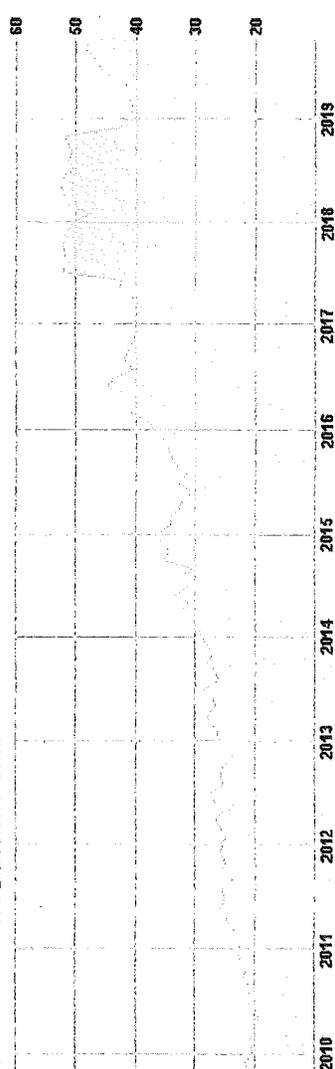
[Snapshot](#) [Charts](#) [News](#) [Options](#) [Analyst Research](#) [Fundamentals](#) [Earnings](#) [Insider Activity](#)

Last Price	Today's Change	Bid x Size	Ask x Size	Day's Range	Volume
\$47.65	47.62 (+0.03%)	45.00 x100	49.89 x100	47.62 - 48.15	273,082

NYSE Delayed Quote Last Trade as of 4:10 PM ET 10/28/19 [Get real-time quotes](#)

1D 3D 5D 1M 3M 6M 9M YTD 1Y 3Y 5Y 10Y Max Custom

Nov 1, 2009 Open 18.98 High 20.95 Low 18.48 Close 20.81 Volume 6,157,279
 Double Click to Place a Limit Order at 20.81



Price History

Date	Open	Day Low	Day High	Close	Volume
10/1/2019	48.52	47.09	48.79	47.77	4,904,904