

**BEFORE THE**  
**WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND	)	
TRANSPORTATION COMMISSION	)	DOCKETS UE-190334, UG-190335, and
	)	UE-190222 ( <i>Consolidated</i> )
Complainant,	)	
	)	
v.	)	
	)	
AVISTA CORPORATION	)	
	)	
Respondent.	)	
	)	
	)	
	)	

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**POST-HEARING BRIEF**  
**ON BEHALF OF THE**  
**ALLIANCE OF WESTERN ENERGY CONSUMERS**

**February 5, 2020**

## I. INTRODUCTION

1 Pursuant to the Washington Utilities and Transportation Commission’s  
 (“Commission”) Notice Revising Procedural Schedule and Notice of Hearing, issued on  
 November 25, 2019 in the above-referenced dockets, the Alliance of Western Energy Consumers  
 (“AWEC”) files this Post-Hearing Brief.

## II. ARGUMENT

### A. The Commission should approve the Partial Multiparty Settlement.

2 AWEC supports the Partial Multiparty Settlement (“Settlement”) filed in this  
 docket and recommends that the Commission approve it as filed. In a vacuum, AWEC  
 sympathizes with Public Counsel’s decision to object to the natural gas revenue requirement  
 provided in the Settlement, but understands the Settlement to be an integrated document in which  
 each provision is dependent upon the others.

3 Customers receive significant benefits from the Settlement, including material  
 reductions to Avista’s requested electric and gas revenue requirement,<sup>1/</sup> elimination of Avista’s  
 requested two-year rate plan, a return on equity of 9.4%,<sup>2/</sup> and, of particular importance to  
 AWEC, improvements to the Schedule 25 rate design and the opportunity for Inland Empire  
 Paper Company to negotiate a special contract with Avista to recognize its unique status as  
 Avista’s largest electric customer in Washington.<sup>3/</sup> Absent approval of the Settlement as filed,  
 these customer benefits, as well as the others included in the Settlement, would be jeopardized  
 because any material modification to the Settlement would allow any signatory to revoke its

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<sup>1/</sup> Settlement ¶ 9.

<sup>2/</sup> Id. ¶ 10.

<sup>3/</sup> Id. ¶¶ 11(b), 14(i).

agreement.<sup>4/</sup>

**B. AWEC withdraws its recommendation to calculate interest on the ERM deferral balances at Avista's pre-tax cost of debt.**

4 One additional benefit of the Settlement is the treatment of the ERM balance. In the Settlement, parties agreed with AWEC's recommendation for the deferred balance to be returned to customers over a two-year period beginning April 1, 2020.<sup>5/</sup> In the hearing, the Company also confirmed that it would recalculate the interest accruals associated the new amortization period. Accordingly, the only outstanding issue regarding the ERM is the appropriate interest rate to apply to the balance.

5 In Response Testimony, AWEC's witness, Bradley Mullins, recommended the Commission remove the tax adjustment to the cost-of-debt rate Avista uses to calculate ERM interest accruals. The proper carrying charge, as AWEC's witness explained, is the straight cost of debt, without an offsetting net-to-gross adjustment for federal income taxes.

6 Avista opposed this recommendation, and showed that its interest rate calculation yielded identical results to a calculation using Mr. Mullins' recommended interest rate, but offsetting the ERM deferral balance with the associated accumulated deferred income taxes ("ADIT"), which is how the stipulation establishing the ERM requires the calculation to be done.<sup>6/</sup> Based on this clarification, AWEC withdraws this adjustment.<sup>7/</sup>

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<sup>4/</sup> Id. ¶ 18.

<sup>5/</sup> Settlement ¶ 12; see also Exh. BGM-12 at 2:4-5.

<sup>6/</sup> Exh. EMA-8T at 5:7-14 & Table 1; Docket No. UE-011595, 5th Supp. Order, Appen. A ¶ 4.d (June 18, 2002).

<sup>7/</sup> Notwithstanding, offsetting the ERM deferral balance with ADIT when calculating interest is appropriate only to the extent Avista is not already earning a return on this deferred tax asset in base rates. Avista includes ADIT associated with deferred accounting, such as the ERM balance, in its working capital calculation. Only the operating investment portion of the working capital amount is held in rate base. Therefore, if the ERM ADIT balance is in the operating investment portion of working capital, offsetting the ERM interest rate with ADIT would overcompensate for the return on this ADIT.

Dated this 5th day of February, 2020.

Respectfully submitted,

DAVISON VAN CLEVE, P.C.

/s/ Tyler C. Pepple

Tyler C. Pepple, WSB No. 50475

Davison Van Cleve, P.C.

1750 SW Harbor Way, Suite 450

Portland, OR 97201

E-Mail: tcp@dvclaw.com

Telephone: (503) 241-7242

Of Attorneys for the

Alliance of Western Energy Consumers