

**BEFORE THE WASHINGTON  
UTILITIES AND TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION,

Complainant,

v.

AVISTA CORPORATION, d/b/a  
AVISTA UTILITIES,

Respondent.

DOCKETS UE-190334, UG-190335,  
and UE-190222 (*Consolidated*)

**POST-HEARING BRIEF  
ON BEHALF OF COMMISSION STAFF**

February 5, 2020

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## I. INTRODUCTION

1           The issues that remain contested in this case are the natural gas revenue requirement, decoupling, and the Energy Recovery Mechanism (ERM) filing in Docket UE-190222. All of the other issues in the case are part of a partial multiparty settlement that was filed with the Washington Utilities and Transportation Commission (Commission) for approval in late November of 2019.

2           The natural gas revenue requirement has been settled by all of the parties in the case except the Public Counsel Unit of the Washington Attorney General’s Office (Public Counsel). The settlement should be approved because it proposes fair, just, reasonable, and sufficient rates for natural gas customers.

3           The proposal of Avista Corporation d/b/a Avista Utilities (“Avista” or “Company”) to extend its existing decoupling program with a few adjustments should be granted as proposed. None of the parties actually oppose the extension of decoupling for Avista and merely offer alternative proposals for certain elements of the mechanism. Avista’s proposal, including the adjustment made on rebuttal, best aligns with the Commission’s policy and recent guidance on decoupling and should be adopted.

4           The ERM filing in Docket UE-190222 includes no issues that Commission Staff (Staff) is contesting in this proceeding. The issue of Avista’s prudence leading up to a forced outage at Colstrip in 2018, which necessitated certain replacement power costs, is currently being addressed in Docket UE-190882 (the “Outage Docket”). Once the Outage Docket is resolved, the outcome will also resolve that issue in the ERM docket.

## II. BACKGROUND

5           Avista filed the general rate case at issue on April 30, 2019. In its filing, Avista proposed increasing revenue from electric operations by \$45.8 million and natural gas

revenue by \$12.9 million through rates effective April 1, 2020.<sup>1</sup> The non-Company parties filed response testimony in the general rate case on October 3, 2019, and in the ERM docket on October 28, 2019. Staff recommended a \$17.5 million revenue requirement increase for electric operations and an increase of \$7.0 million for natural gas operations.<sup>2</sup>

6           On November 21, 2019, all of the parties to the case presented a Partial Multiparty Settlement Stipulation (Settlement) to the Commission. The Settlement provides for an electric revenue requirement increase of \$28.5 million and a natural gas revenue requirement increase of \$8.0 million. The revenue requirements, with the exception of certain items specified separately in the Settlement, constitute a “black box” agreement in that the Settlement contains the amount of the revenue requirement increase but does not specify any particular methodology or adjustments for calculating the revenue requirement increase. On November 26, 2019, the parties filed Joint Testimony in Support of Partial Multiparty Settlement Stipulation. The Settlement is a partial settlement because it does not resolve all issues in the case, specifically certain issues associated with the ERM filing in Docket UE-190222 and with the Company’s decoupling proposal. It is a multiparty settlement, because Public Counsel does not join the natural gas revenue requirement term of the Settlement. The parties to all of the terms in the Settlement are Staff, Avista, Alliance of Western Energy Consumers (AWEC), the NW Energy Coalition (NVEC), The Energy Project, and the Sierra Club.

7           On the same date the Settlement was filed, on November 21, 2019, parties filed rebuttal and cross-answering testimony. Staff filed testimony cross-answering directed to

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<sup>1</sup> Vermillion, Exh. DPV-1T at 7, Table No. 1, and 10, Table No. 4. Avista also proposed a second rate increase effective April 1, 2021; but this is not relevant to the settlement, which provides for only one rate increase, effective April 1, 2020.

<sup>2</sup> Huang, Exh. JH-1T at 6:12 - 7:4.

Public Counsel and NWECA on the issue of decoupling.<sup>3</sup> Staff supports Avista's proposed extension of Avista's decoupling mechanism.<sup>4</sup> Avista filed rebuttal on decoupling. In its rebuttal testimony, the Company modified its proposal. Avista now proposes to exclude from the decoupling mechanism new customers connected on or after January 1, 2019.<sup>5</sup>

8 Public Counsel filed testimony in opposition to the natural gas revenue requirement in the Settlement on December 9, 2019.<sup>6</sup> On December 13, 2019, Avista filed rebuttal regarding Non-Colstrip-related ERM issues contested by Public Counsel and by AWECA.<sup>7</sup> And Avista filed rebuttal on December 20, 2019, addressing the natural gas revenue requirement.<sup>8</sup> The Commission is addressing Colstrip issues from the ERM filing in the Outage Docket.<sup>9</sup> Staff does not contest any issues remaining in the ERM filing.<sup>10</sup>

### III. DISCUSSION

9 The Settlement in this case resolves all issues except the natural gas revenue requirement, which Public Counsel opposes; Avista's proposed extension of its decoupling program; and most of the issues in the ERM filing in Docket UE-190222. All parties except Public Counsel agreed to a natural gas revenue requirement increase, and this Settlement should not be undone because one party would prefer a lower number. The Settlement represents compromises from all parties and is reasonable. Regarding the issue of decoupling, Staff supports Avista's proposed extension of its decoupling mechanism, including the modification on rebuttal to exclude new customers from the mechanism,

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<sup>3</sup> Jordan, Exh. ELJ-1T.

<sup>4</sup> Jordan, Exh. ELJ-1T at 2:14-18.

<sup>5</sup> Ehrbar, Exh. PDE-3T at 3:10-22.

<sup>6</sup> Crane, Exh. ACC-14T and supporting exhibits.

<sup>7</sup> Andrews, Exh. EMA-8T, and Kalich, Exh. CGK-3T.

<sup>8</sup> Andrews, Exh. EMA-9T.

<sup>9</sup> See *In the Matter of the Investigation of Avista Corporation d/b/a Avista Utilities, Puget Sound Energy, and Pacific Power & Light Company Regarding Prudency of Outage and Replacement Power Costs*, Docket UE-190882, Order 01, 8, ¶ 29 (Oct. 24, 2019) (2014 GRC Order).

<sup>10</sup> Gomez, Exh. DCG-18T at 2:11-14.

because it comports with the Commission’s policy on decoupling. In a recent order, the Commission discussed the goal of decoupling and, contrary to Public Counsel’s testimony, Avista’s decoupling mechanism meets it. The Commission should approve the decoupling mechanism that Avista proposes and should reject Public Counsel’s proposals limiting decoupling adjustments to verified energy savings and prohibiting a surcharge when the Company overeans. NWEC’s proposal to make the conservation target flexible between gas and electric service is also problematic and should be rejected. Allowing additional gas conservation to be optional undermines conservation and likewise undermines the part decoupling can play in reducing barriers to conservation.

**A. The Natural Gas Revenue Requirement Settlement Complies With Applicable Legal Requirements and is Consistent With the Public Interest**

10 Under WAC 480-07-700, the Commission “supports parties’ informal efforts to resolve disputes without the need for contested hearings when doing so is lawful and consistent with the public interest.”<sup>11</sup> The Settlement, including the settlement of the natural gas revenue requirement, meets this standard and should be approved.

11 All of the parties except Public Counsel support a revenue requirement increase of \$8 million for Avista’s natural gas service. This increase is well below the \$12.9 million that the Company originally requested. Also, the settled increase of \$8 million is very close to the \$7.0 million that Staff recommended in response testimony and even closer to the \$7.3 million that is Staff’s litigation position under the 9.4 percent return on equity reflected in the Settlement.<sup>12</sup> The revenue requirement term of the Settlement is a “black box” provision, meaning that the parties are not presenting any particular adjustments or methodology to the

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<sup>11</sup> See also WAC 480-07-740 (“The commission will review all settlement agreements to determine whether they comply with applicable legal requirements and whether approval of the agreements is consistent with the public interest.”).

<sup>12</sup> Exh. JT-1 at 32:6-9.

Commission for approval. Given how close the settled natural gas revenue requirement is to Staff's litigation position, however, there is a particularly robust record demonstrating that the amount of the revenue requirement increase in the Settlement comports with the legal standard for ratemaking: that rates be fair, just, reasonable and sufficient.<sup>13</sup>

12 Public Counsel advocates for a natural gas revenue requirement increase of \$5 million.<sup>14</sup> Its rationale for opposing the settled natural gas revenue requirement is that “the increase is too high”<sup>15</sup> and customer rates have increased too much in recent years.<sup>16</sup> Ratemaking is balancing of interests, including fairness to ratepayers and sufficiency of rates for the company. The fact that all parties except one, including ratepayer advocates, support the Settlement is a significant indication that the settled increase to revenue requirement achieves the balance that the ratemaking standard requires, and that the Settlement is in the public interest. The \$8 million increase to revenue requirement in the Settlement is fair, just, reasonable, and sufficient, and should be approved.

**B. Avista's Proposed Extension of its Decoupling Program Aligns With Commission Policy and is Important to Reduce Barriers to Conservation**

**1. Avista's Decoupling Mechanism – Present and Proposed.**

13 The Commission approved Avista's existing decoupling mechanism in 2014 for a period of five years.<sup>17</sup> The Commission's decision, which adopted an all-party settlement, approved revenue-per-customer full decoupling mechanisms for all fixed costs of Avista's electric and natural gas systems.<sup>18</sup> In years in which revenue from the volumetric rates

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<sup>13</sup> See RCW 80.28.020 (“the commission shall determine the just, reasonable, or sufficient rates, charges, regulations, practices or contracts . . . and shall fix the same by order”).

<sup>14</sup> Crane, Exh. ACC-14T at 4:10-11.

<sup>15</sup> Crane, Exh. ACC-14T at 4:17.

<sup>16</sup> See Crane, Exh. ACC-14T at 4:18 - 5:3.

<sup>17</sup> *Wash. Utils. & Transp. Comm'n v. Avista Corp.*, Dockets UE-140188 & UG-140189, Order 04, 13-14, ¶ 28 (Nov. 25, 2014). The five-year program was subsequently extended by three months until April 1, 2020, in Order 09 in this docket, served February 14, 2019.

<sup>18</sup> 2014 GRC Order at 11, ¶ 22.



exceeds the calculated revenue-per-customer, Avista must return the surplus to customers.<sup>19</sup> In years in which revenues are less than the calculated revenue-per-customer, customers must pay a surcharge.<sup>20</sup> If such a surcharge would exceed a three percent annual rate adjustment, the excess balance will be carried forward for recovery in future years.<sup>21</sup> An earnings sharing provision requires Avista to share revenue that results in earnings over Avista's rate of return 50/50 with customers, regardless of whether a rebate or surcharge applies to customer bills that year.<sup>22</sup> The decoupling mechanism does not apply to certain types of customers, however, including large industrial customers.<sup>23</sup> A significant term of the settlement adopted in 2014 provided that Avista would increase its electric conservation achievement by five percent over its biennial target.<sup>24</sup>

14           In addition, Avista committed to a shareholder-funded third-party evaluation of the electric and gas decoupling mechanisms after three years.<sup>25</sup> Avista filed the third-party evaluation in the 2014 general rate case docket on October 1, 2018, and a copy is attached to Avista's testimony in the instant general rate case.<sup>26</sup>

15           The Company's proposal in the instant proceeding retains the elements of the existing mechanism but includes some modifications.<sup>27</sup> In addition to extending the current mechanism through March 31, 2025, the modifications represent both housekeeping and substantive improvements. A significant substantive improvement is the addition of a natural

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<sup>19</sup> 2014 GRC Order at 12, ¶ 23.

<sup>20</sup> 2014 GRC Order at 12, ¶ 24.

<sup>21</sup> 2014 GRC Order at Appendix A, 7 (Term 13. g).

<sup>22</sup> 2014 GRC Order at 12, ¶ 23.

<sup>23</sup> 2014 GRC Order at 11, ¶ 22 (certain schedules for industrial customers as well as street lighting and transportation service were excluded from the mechanism).

<sup>24</sup> 2014 GRC Order at 12, ¶ 26.

<sup>25</sup> 2014 GRC Order at 13, ¶ 27.

<sup>26</sup> Ehrbar, Exh. PDE-2.

<sup>27</sup> Ehrbar, Exh. PDE-3T at 15:1-20.

gas conservation target of five percent, with penalties.<sup>28</sup> Another substantive improvement involves restricting recovery under the mechanism to only certain types of fixed costs for new customers.<sup>29</sup> On rebuttal, the Company modified this addition to the mechanism to entirely exclude new customers (connections) from the mechanism who are added after a new decoupling base is set in a general rate case.<sup>30</sup>

**2. Excluding New Customers From the Mechanism is Consistent With the Decoupling Policy Statement.**

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On rebuttal, Avista makes one additional modification to its proposed decoupling mechanism, which is to exclude the newest customers from the mechanism. The Commission’s Decoupling Policy Statement recognizes that “the addition of new customers can lead to additional revenues (‘found margin’), possibly resulting in a utility earning more than its authorized ROR,”<sup>31</sup> and specifically notes that if the revenues and costs from new customers “are not in reasonable balance, we would consider excluding all or some new customer revenue from the mechanism.”<sup>32</sup> In its direct testimony, Avista proposed excluding from recovery certain fixed costs of serving new customers, and now the Company proposes entirely excluding new customers from the mechanism. Either approach is consistent with the Decoupling Policy Statement, and Staff supports Avista’s proposal on rebuttal to exclude new customers as a reasonable design component of the mechanism.

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<sup>28</sup> See Ehrbar, Exh. PDE-1T at 11:15 - 12:2.

<sup>29</sup> See Ehrbar, Exh. PDE-1T at 25:10-16 and 26:6-9.

<sup>30</sup> Ehrbar, Exh. PDE-3T at 15:10-11.

<sup>31</sup> *In Re Wash. Utils. & Transp. Comm’n Investigation into Energy Conservation Incentives*, Docket U-100522, Report and Policy Statement on Regulatory Mechanisms, Including Decoupling, to Encourage Utilities to Meet or Exceed Their Conservation Targets, 7, ¶ 11 (Nov. 4, 2010) (Decoupling Policy Statement).

<sup>32</sup> Decoupling Policy Statement at 17, n.44.

**3. The Commission Recently Reiterated the Goal of Decoupling and Avista’s Mechanism Meets it.**

17 Public Counsel takes issue with several aspects of Avista’s decoupling mechanism. It is important to note, however, that Public Counsel does not oppose extending decoupling for Avista.<sup>33</sup> In its response testimony, Public Counsel complains that the goal of Avista’s mechanism is not clearly stated and that it is not clear whether the purpose of the revenue decoupling mechanism is to compensate the Company for lost sales due to energy efficiency programs or to ensure recovery of authorized revenue.<sup>34</sup> This is not a useful question at this point because the intent of Avista’s decoupling program is clear and because the Commission recently addressed the purpose of decoupling, in its order on the general rate case filing of NW Natural.<sup>35</sup>

18 In NW Natural Order 06, the Commission discussed its Decoupling Policy Statement,<sup>36</sup> and made clear that the purpose of a full decoupling mechanism is to address the volatility of usage rather than revenue sufficiency.<sup>37</sup> Avista’s existing decoupling mechanism is a “full” decoupling mechanism, as defined in the Decoupling Policy Statement, which is designed to address “volatility in average use per customer by class,” whether due to conservation or the effects of weather.<sup>38</sup> Avista’s testimony makes the goals of its program sufficiently clear and they comport with the Commission’s policy on decoupling: “Not only has the program accomplished its original objectives of removing the disincentive for the Company to promote the efficient end-use of energy through conservation, it has also been beneficial to customers in times of a colder than normal winter, or hotter than normal

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<sup>33</sup> Crane, Exh. ACC-1T at 48:9-11.

<sup>34</sup> Crane, Exh. ACC-1T at 51:2-9 and at 56:2-12.

<sup>35</sup> *Wash. Utils. & Transp. Comm’n v. Northwest Natural Gas*, Docket UG-181053, Order 06 (Oct. 21, 2019) (NW Natural Order 06).

<sup>36</sup> Decoupling Policy Statement.

<sup>37</sup> NW Natural Order 06 at 14, ¶ 32. *See also* NW Natural Order 06 at 16, ¶ 39.

<sup>38</sup> Decoupling Policy Statement at 8, ¶ 12.

summer, when the Company has returned those additional revenue back to customers.”<sup>39</sup>

This description of the practical effect of the program illustrates that, in Avista’s view, the program goal is to stabilize revenue in the face of variable usage due to conservation and weather—and the goal has been accomplished. In the view also of the third-party evaluator of Avista’s decoupling program, the mechanism was effective. The evaluator found that the mechanism “has had a stabilizing effect on revenue, reducing variability to between 30 and 70 percent.”<sup>40</sup>

19 Avista’s mechanism fulfills the main focus of the Commission’s decoupling policy, in that it removes barriers to conservation despite the throughput incentive.<sup>41</sup> Avista testifies that the Company has continued to see an overall decline in both residential electric and gas use per customer over the past several years.<sup>42</sup> As part of the decoupling mechanism, however, Avista has committed to an electric conservation achievement target of an additional five percent, which means that the Company must achieve conservation for its electric distribution service five percent over and above the biennial conservation acquisition target established pursuant to chapter 19.285 RCW. Going forward, Avista commits to a five percent increase to its natural gas conservation achievement targets as well. Stabilizing revenues through the decoupling mechanism removes the barrier of the throughput incentive and will continue to facilitate the achievement of Avista’s conservation goals. The third-party evaluator found that this has worked thus far. While the evaluator found that decoupling was not a “driver” for conservation, it also found that decoupling “facilitates pursuit of all cost-

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<sup>39</sup> Ehrbar, Exh. PDE-1T at 8:18-22.

<sup>40</sup> Ehrbar, Exh. PDE-1T at 19:20-23.

<sup>41</sup> Decoupling Policy Statement at 8, ¶ 12 (“the Commission has determined it is appropriate to set forth policy guidance on selected regulatory mechanisms designed either to remove barriers to utilities acquiring all cost-effective conservation or to encourage utilities to acquire all cost-effective conservation”).

<sup>42</sup> Ehrbar, Exh. PDE-1T at 7, Table Nos. 1 and 2.

effective energy conservation in accord with Commission direction,” and that Avista’s decoupling mechanism eliminates the potential for a very real barrier to pursuing all cost effective conservation.<sup>43</sup>

20           Public Counsel proposes adding a mechanism to Avista’s decoupling program that would tie decoupling adjustments specifically to verified energy savings from energy efficiency programs,<sup>44</sup> but this approach is inconsistent with full decoupling and is impractical. As Staff witness Jordan explains, the proposal assumes that the purpose of decoupling is limited to addressing volatility in usage variations related to *conservation* (rather than weather, for example) and is therefore counter to the purpose of full decoupling.<sup>45</sup> Full decoupling accounts for usage volatility from causes other than conservation, including the effects of weather.<sup>46</sup> Accordingly, it would be inconsistent with the purpose of a full decoupling mechanism, which is to stabilize revenues in the face of usage variations from a variety of effects, to focus on only one of those effects.

21           Making decoupling adjustments contingent on verified energy savings is also impractical because it is not clear that disaggregating the causes of load variations as would be required by Public Counsel’s proposal is even feasible.<sup>47</sup> Indeed, Public Counsel does not explain how this could be accomplished.<sup>48</sup> Public Counsel’s recommendation would require the Company to estimate the amount of energy usage that might have occurred but for the decoupling program. As Staff witness Jordan opines, “The confidence in that analysis would

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<sup>43</sup> See Ehrbar, Exh. PDE-1T at 11:2-11.

<sup>44</sup> Crane, Exh. ACC-1T at 56:5-7.

<sup>45</sup> Jordan, Exh. ELJ-1T at 7:1-4.

<sup>46</sup> Decoupling Policy Statement at 8, ¶ 12.

<sup>47</sup> See Jordan, Exh. ELJ-1T at 7:9-10.

<sup>48</sup> Jordan, Exh. ELJ-1T at 7:10-11.

be extremely low” because “it is nearly impossible to predict how customers would have responded to different price signals under different circumstances.”<sup>49</sup>

22 Public Counsel also proposes prohibiting a decoupling surcharge if Avista earns a higher than authorized return during a deferral period.<sup>50</sup> Public Counsel’s reasoning is that, if the Company is earning more than its authorized return, “there is no rationale for surcharging customers for any revenue shortfall.”<sup>51</sup> Public Counsel is mistaken. Whether there is a decoupling surcharge or rebate has nothing to do with the Company’s earnings. Decoupling stabilizes *revenues* caused by variations in usage due to, for example, conservation or weather. *Earnings* are affected not only by revenue but by expenses. Expenses, as Staff witness Jordan points out, “are influenced by a myriad of factors such as: abnormal weather, customer growth during the rate year, or cost cutting measures.” It is entirely possible—and in keeping with the mechanism—that a warm winter would result in a surcharge and the Company, through cost-saving measures or otherwise, would earn above its authorized return. Prohibiting a surcharge under these circumstances would inappropriately tie expenses to revenue and would be inconsistent with the revenue stabilizing purpose of the mechanism.<sup>52</sup> As Staff witness Jordan observes, “Public Counsel’s recommendation transforms the decoupling mechanism into a revenue sufficiency mechanism.”<sup>53</sup> NW Natural Order 06 established that decoupling is not a means to address revenue sufficiency.<sup>54</sup>

23 While there is an earnings sharing provision in the mechanism, its purpose is not revenue sufficiency. Earnings sharing provides an incentive for the Company to achieve

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<sup>49</sup> Jordan, Exh. ELJ-1T at 7:13-15.

<sup>50</sup> Crane, Exh. ACC-1T at 59:8-10.

<sup>51</sup> Crane, Exh. ACC-1T at 59:2-4.

<sup>52</sup> See Jordan, Exh. ELJ-1T at 8:11-13.

<sup>53</sup> Jordan, Exh. ELJ-1T at 8:11-13.

<sup>54</sup> See NW Natural Order 06 at 14, ¶ 32.

efficiencies in its operations because the Company retains half of its overearnings.<sup>55</sup> Public Counsel’s proposal, however, provides a disincentive for the Company to achieve efficiencies. If Avista had to forgo its decoupling surcharge in the event of overearning, there would be less motivation to control expenses. In fact, as Staff witness Jordan explains, “The Company would then be directly incentivized to *increase its expenses* in direct proportion to revenue so as to not lose the additional revenue.”<sup>56</sup>

**4. Avista’s Natural Gas Conservation Target of an Additional Five Percent is Appropriate and Must be Met With Natural Gas Conservation and Not Electric Conservation.**

24 NWEC advocates for replacing Avista’s proposed five percent additional gas conservation target with a ten percent flexible target, under which five percent of additional electric conservation still must be achieved but the remaining five percent of the target can be met through either gas or electric conservation.<sup>57</sup> It is inappropriate to mix the targets between gas and electric service because the businesses are separate and the decoupling mechanisms for each business are separate. The natural gas decoupling mechanism is intended to stabilize revenues that may vary based on *natural gas* customer usage volatility related to Avista’s pursuit of the five percent *natural gas* conservation target. If Avista can choose not to pursue or not achieve the additional gas conservation, it weakens the link between decoupling and conservation achievement.

25 Moreover, if Avista initially commits to an additional five percent of gas conservation and begins to collect for that in its conservation tariff, but then decides to achieve additional conservation in its electric service instead, natural gas customers will not get what they paid

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<sup>55</sup> Jordan, Exh. ELJ-1T at 8:19 - 9:2.

<sup>56</sup> Jordan, Exh. ELJ-1T at 9:4-6.

<sup>57</sup> Levin, Exh. AML-1T at 18:13-19.

for and will effectively have subsidized electric conservation.<sup>58</sup> This is unfair and is inconsistent with Commission practice disapproving of inter-business subsidization.<sup>59</sup>

26           NWEC discusses several policy reasons supporting its proposal.<sup>60</sup> These reasons all coalesce around NWEC's description of the downsides of natural gas use usage, which has nothing to do with a decoupling mechanism or with conservation.<sup>61</sup> The Company's proposed gas conservation target of an additional five percent is appropriate and, in light of the new law requiring all available and cost-effective gas conservation,<sup>62</sup> timely.

### **C.     The ERM Docket**

27           The filing in Docket UE-190222, the ERM docket, presents several issues that ultimately go to the amount of the deferral balance. The only issue that Staff is contesting is the prudence of Avista's actions leading up to the Colstrip outage, and the Commission is examining this issue in Docket UE-190882, the Outage Docket. The hearing in the Outage Docket is scheduled for February 14, 2020. The Commission's decision in the Outage Docket will determine the prudence of the replacement power costs incurred following the outage, and then the amount of the deferral balance in the ERM docket can be determined. Under the Settlement, that balance will be returned to customers over a two-year period, except for \$0.5 million, which will be applied to the accelerated Colstrip production plant depreciation expense.<sup>63</sup>

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<sup>58</sup> See Jordan, Exh. ELJ-1T at 10:9-14.

<sup>59</sup> See, e.g., *Wash. Utils. & Transp. Comm'n v. Avista Corp.*, Dockets UE-170485 and UG-170486, Order 07, 94, ¶ 285 (April 26, 2018) (finding it was not appropriate for electric ratepayers to subsidize conversions to natural gas).

<sup>60</sup> Levin, Exh. AML-1T at 16:20 - 18:2.

<sup>61</sup> See Jordan, ELJ-1T at 11:9-15.

<sup>62</sup> RCW 80.28.380.

<sup>63</sup> Exh. JT-2 at 5-6 ("Energy Recovery Mechanism (ERM) Refund").



#### IV. CONCLUSION

28           The Commission should approve the Settlement, including the \$8 million increase to the natural gas revenue requirement that all parties except Public Counsel support. The Settlement is supported by the joint testimony filed in its support and indirectly through Staff's response testimony, and it will result in rates that are fair, just, reasonable, and sufficient. Reducing the natural gas rate increase, simply because Public Counsel wishes it to be lower, does not support alternative dispute resolution and is, therefore, not in the public interest.

29           The Commission should extend Avista's decoupling mechanism for an additional five years with the modifications that the Company proposed in its direct and rebuttal testimonies. The mechanism, according to the third-party evaluator, has been functioning as intended, and Avista's proposed extension comports with the Commission's articulated policy and guidance on decoupling. Criticisms offered by Public Counsel are not apt, and the Commission can rest on the guidance it provided in its recent NW Natural Order. The modifications to the mechanism that Public Counsel proposes should be rejected because they are inconsistent with the purpose of decoupling, are unrealistic, or distort the incentives of the program. NWECA's proposed modification for a flexible conservation target should also be rejected. It is part of NWECA's effort to switch natural gas customers to electric service. This is a policy that communities, legislators, and other policy makers may choose to implement, but it has nothing to do with the decoupling mechanism at issue and should not be considered here.

Finally, in Staff's view, there are no further issues remaining in the ERM that need to be addressed, and the docket stands ready to receive the Commission's decision in the Outage Docket.

Respectfully submitted,

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