

**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

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| WASHINGTON UTILITIES AND |) | |
| TRANSPORTATION COMMISSION |) | DOCKET UE-120436 |
| |) | and |
| Complainant, |) | DOCKET UG-120437 |
| |) | |
| v. |) | |
| |) | AVISTA CORPORATION’S MOTION |
| AVISTA CORPORATION d/b/a |) | FOR LEAVE TO FILE SUPPLEMENTAL |
| AVISTA UTILITIES |) | AND REVISED TESTIMONY AND |
| |) | EXHIBITS |
| Respondent. |) | |
|) |) | |

1 Pursuant to WAC 480-07-375(1)(d) and 480-07-460(b)(ii), Avista Corporation (“Avista” or “the Company”), hereby requests that the Commission grant it leave to file the supplemental and revised prefiled direct testimony and exhibits submitted with this motion.

2 The purpose of these revisions is to correct for a computational error in the attrition analysis prepared by Company witness Dr. Lowry, related to the use of certain logarithmic growth factors in his trending analysis. These changes will not change the Company’s requested revenue requirement. More specifically, the attrition-adjusted subtotal¹ of the revenue requirement of \$41.502 million was originally developed using Dr. Lowry’s attrition adjustment of \$20.5 million, as included in his direct testimony (Exhibit No. ___MNL-1T) and Exhibit No. ___(MNL-5) filed on April 2, 2012. Since then, however, Dr. Lowry has made necessary revisions to reflect the effect of converting from logarithmic growth factors to arithmetic growth

¹ This attrition-adjusted subtotal of \$41.502 million appears at p. 9, col. AA-Ttl, l. 50 of Exhibit No. ___(EMA-2). After then giving effect to further adjustments for the retail revenue credit, the depreciation study, and other O&M offsets, the final revenue requirement is \$40.983 million, and is what the proposed tariffs seek to recover. (See Exh No. ___ (EMA-2), p. 10, col. F-Ttl, l. 50)

factors for the two year escalation rates that are used to trend the 2011 base year amounts to the 2013 rate year amounts in his attrition study. The conversion was inadvertently overlooked when preparing his original exhibit (MNL-5). The result of the change is to increase the attrition-adjusted subtotal of the revenue requirement from \$41.502 million to \$42.569 million. This revision is shown in Dr. Lowry's supplemental exhibit (Exhibit No. ___(MNL-5)(Supp.), at page 2, column J, line 56).

3 The Company, however, is not proposing to increase its filed-for revenue requirement (or modify its proposed tariffs) to reflect Dr. Lowry's revised calculations as shown in his Exhibit No. ___ (MNL-5)(Supp.). The effect of his revisions would have increased the attrition adjustment from \$20.5 million to \$21.6 million, thereby increasing the attrition-adjusted subtotal for the revenue requirement from \$41.502 million to \$42.569 million. Company Witness Andrew's derivation of the requested revenue requirement, however, still makes use of Dr. Lowry's original attrition adjustment of \$20.5 million in arriving at her "Attrition Adjusted Total" in Exhibit No. ___ EMA-2, p.9, Col. AA-Ttl, line 50.²

4 Accordingly, this correction has necessitated the following changes to the prefiled direct testimony and exhibits of various witnesses [attached to this motion]:

- Revised Direct Testimony of Scott L. Morris (Exhibit No. ___ SLM-1T), page 31
- Revised Direct Testimony of Kelly O. Norwood (Exhibit No. ___KON-1T), pages 10, 21-26
- Revised Direct Testimony of Mark N. Lowry (Exhibit No. ___MNL-1T), pages 3, 22-23
- Supplemental Exhibit of Mark N. Lowry (Exhibit No. ___MNL-5)(Supp.)
- Revised Direct Testimony of Elizabeth M. Andrews (Exhibit No. ___EMA-1T), page 35

5 In addition, the Company is submitting the supplemental testimony and exhibit of

² Because Witness Andrews continues to make use of Witness Lowry's original attrition adjustment of \$20.5 million (not \$21.6 million) for purposes of developing the overall revenue requirement upon which the proposed tariffs are based, the Company is still offering into evidence the original Exh No. ___MNL-5 (containing the basis for the \$20.5 million attrition adjustment), even though Dr. Lowry's supplemental exhibit (MNL-5 (Supp)) would show a slightly higher attrition adjustment of \$21.6 million, after making certain corrections.

Witness Elizabeth Andrews, providing further analysis supporting her demonstration of the impact of attrition on the Company's natural gas business.

6 In her pre-filed direct testimony (Exhibit No. ____ (EMA-1T), pages 56-60), Company Witness Andrews addressed the erosion in earnings in the Company's natural gas distribution business resulting from planned capital additions in 2012 and 2013. As on the electric side of its business, the Company is also experiencing earnings attrition with respect to its natural gas business. Not only did she demonstrate how the natural gas rate base authorized in rates "lags" behind the actual level of rate base dedicated to serving customers in prior years, she also demonstrated the continued erosion in earnings ("attrition") resulting from capital additions in 2012 and 2013. She calculated that the Company will experience approximately \$2.7 million of earnings erosion, or "attrition" if planned capital additions are not included in rate base. (*Id.* at 59)

7 The purpose of her supplemental testimony is to further corroborate her findings of attrition, by means of a separate analysis, using the same techniques employed by Dr. Lowry in his electric attrition study for the Company. This analysis demonstrates an attrition-adjusted subtotal for the revenue requirement for the 2013 rate year of \$10.528 million, which is \$0.952 million higher than the attrition-adjusted subtotal of the revenue requirement of \$9.576 million shown on Ms. Andrew's Exhibit No. ____ (EMA-3), page 9 of 9, column ADJ-Ttl, line 49, and explained in her earlier direct testimony.³ While the Company is not increasing its filed-for revenue requirement as a result of this additional analysis, its purpose is to further corroborate

³This attrition-adjusted subtotal of \$9.576 million appears at p. 9, col. ADJ-Ttl, l. 49 of Exhibit No. ____ (EMA-3). After then giving effect to further adjustments for the depreciation study and other O & M offsets, the final revenue requirement is \$10.088 million, and is what the proposed tariffs seek to recover. (See Exh No. ____ (EMA-3), p. 9, col. F-Ttl, l. 49)

the attrition analysis provided in Ms. Andrew's direct testimony, by using the same trending techniques used by Dr. Lowry in his electric study. As such, it will provide further useful information for the Commission to consider, as it deliberates on the issue of attrition. Accordingly, the following supplemental testimony and exhibit are being submitted [attached to this motion]:

- Supplemental Testimony of Elizabeth M. Andrews (Exhibit No. ___EMA-5T)
- Supplemental Exhibit of Elizabeth M. Andrews (Exhibit No. ___EMA-6)

8 The Commission's procedural rules require Avista to seek leave for filing its proposed supplemental and revised direct testimony and exhibits because they go beyond revisions to correct mistakes:

Parties must seek leave from the presiding officer by written motion if they wish to submit testimony that includes substantive changes other than to simply correct errors of fact asserted by a witness. A party proposing such changes may submit the proposed revisions with its motion.

WAC 480-07-460(1)(b)(ii). Avista therefore files this motion seeking such leave.

9 Avista's motion should be granted. Avista seeks to add to the record corrections and supplemental evidence that will more accurately reflect the impact of attrition on its electric and natural gas business for the period that retail rates will be in effect at the conclusion of this proceeding. Avista has sought to prepare and present its corrections and supplemental evidence in a manner that makes it easy for other parties to understand the required changes from Avista's prefiled direct evidence. Allowing Avista to supplement and correct its evidence now will reduce the burden on other parties that would result from having to attempt to update or correct Avista's original filing themselves, based on information made available to them in subsequent data request responses. Submission of the supplemental and corrected testimony at this time also provides the other parties the opportunity to address the revised information in their response

testimonies (due September 19, 2012), which would not be possible if Avista first provided this information only in Avista's rebuttal testimony. Finally, Avista believes that the parties to this proceeding will not be disadvantaged by this filing, inasmuch as they will have three and one-half (3½) months to conduct any additional discovery with respect to these rather brief supplemental submissions, before their responsive testimony is due on September 19, 2012.

10 Avista understands that the Commission's interest in having a full record with the best available evidence upon which to base its decisions must be balanced against the parties' needs to have an adequate opportunity to conduct discovery and prepare their own testimony and exhibits. As noted, Avista's supplemental testimony and exhibits is submitted well in advance of the current filing deadline of September 19, 2012, for responsive testimony, so the parties should have an adequate opportunity to conduct discovery. Moreover, Avista's supplemental and revised testimony and exhibits are accompanied by workpapers which should aid in expediting the discovery process on the supplemental testimony.

11 In Puget Sound Energy, Inc.'s ("PSE") prior general rate case (Docket UE-072300 and UG-072301), PSE was granted leave to file supplemental testimony. (See Order 08, dated May 5, 2008) In his Order, supra, at para. 10, Administrative Law Judge, Dennis J. Moss noted as follows:

The Commission's paramount interest is in having a full record with the best available evidence upon which to base its decisions. When the Company offers supplemental evidence, as here, the Commission balances its interest in having up-to-date information against the needs of the parties to have adequate opportunities for discovery and the development of their own testimony and exhibits....

12 For the reasons expressed above, Avista believes that this request to supplement and correct its filing will allow for "a more orderly process and will promote fairness." (See Order,

supra, para.9). Moreover, it will provide additional corrections and analysis surrounding “attrition” – something that this Commission has recently expressed, on multiple occasions, an interest in exploring as a means to allow for timely and sufficient cost recovery.⁴

13 Accordingly, Avista respectfully requests that the Commission enter an order granting Avista leave to supplement and otherwise revise its prefiled evidence in this proceeding and accepting for filing the supplemental and revised testimony and exhibits submitted with this motion.

Respectfully Submitted this 25th day of May, 2012



David J. Meyer, Avista Corporation
VP, Chief Counsel for Regulatory and
Governmental Affairs

⁴ See, e.g.) WUTC v. Puget Sound Energy, Inc., Dockets UE-111048 and UG-111049, Order 08 at ¶¶ 489-491 (May 7, 2012); and WUTC v. Puget Sound Energy, Inc., Docket UG-110723, Order 07, fn. 40, at p.14.