

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DOCKET NO. UE-120436

DOCKET NO. UG-120437

SUPPLEMENTAL DIRECT TESTIMONY OF

ELIZABETH M. ANDREWS

REPRESENTING AVISTA CORPORATION

I. INTRODUCTION

Q. Please state your name.

A. My name is Elizabeth M. Andrews.

Q. Have you provided direct testimony in this docket?

A. Yes.

Q. Why are you supplementing your testimony in this proceeding?

A. In my pre-filed direct testimony (Exhibit No. ____ (EMA-1T), pages 56-60), I 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 I 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, I also demonstrated the continued erosion in earnings ("attrition") resulting from capital additions in 2012 and 2013. I 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) This translates into a 1.6% reduction in return on equity (.79% reduction in rate of return). (Id.)

The purpose of my supplemental testimony is to further corroborate my finding of attrition, by means of a separate analysis, using the techniques employed by Dr. Lowry in his electric attrition study for the Company. (See Exhibit No. ____ (MNL-1T) through Exhibit No. ____ (MNL-5)

Q. What did this additional analysis show?

1 selected by Dr. Lowry. Revenue growth factors were prepared based on the Company's
2 forecast and weighted by billing determinants for general business and transportation
3 revenues. The applicable revenues, expenses, and rate base from the 2011 Commission
4 Basis Report were then escalated for two years to the 2013 rate year, and an attrition
5 adjusted revenue requirement calculation was made. I refer you to the direct testimony of
6 Dr. Lowry (Exhibit No. ____ (MNL-1T) for a complete discussion of the factors giving rise to
7 attrition, and the specific methodology used to address the issue.

8 **Q. Would you please explain what is contained in Exhibit No. ____ (EMA-**
9 **6)?**

10 A. Yes. Pages 1 and 2 of Exhibit No. ____ (EMA-6) show the amounts for
11 revenues, expenses, and rate base for 2011 from the Commission Basis Report escalated to
12 the 2013 rate year. Line 55 in column I shows the attrition adjusted revenue requirement for
13 the 2013 rate year of \$10.528 million. Page 3 shows annual growth rates and compound
14 growth rates for the indicated base periods to 2011. Pages 4 and 5 show the amounts from
15 the historic Commission Basis Reports with the amounts shown on lines 47, 51, 56, and 60
16 being the amounts used to develop the compound growth rates shown on page 3. Page 6
17 shows the calculation of revenue growth factors from 2011 to 2013 that are used on page 1.

18 **Q. Are workpapers also being submitted in support of your supplemental**
19 **exhibit?**

20 A. Yes. The spreadsheet that contains the supplemental exhibit and other data,
21 as well as sheets from the 2000-2011 Commission Basis Reports showing restated total
22 amounts, are being submitted as workpapers.

1 **Q. Does that conclude your supplemental testimony?**

2 **A. Yes, it does.**