## 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

1		I. INTRODUCTION
2	Q.	Please state your name.
3	А.	My name is Elizabeth M. Andrews.
4	Q.	Have you provided direct testimony in this docket?
5	А.	Yes.
6	Q.	Why are you supplementing your testimony in this proceeding?
7	Α.	In my pre-filed direct testimony (Exhibit No(EMA-1T), pages 56-60), I
8	addressed the erosion in earnings in the Company's natural gas distribution business	
9	resulting from	m planned capital additions in 2012 and 2013. As on the electric side of its
10	business, the Company is also experiencing earnings attrition with respect to its natural gas	
11	business. Not only did I demonstrate how the natural gas rate base authorized in rates "lags"	
12	behind the a	ctual level of rate base dedicated to serving customers in prior years, I also
13	demonstrated the continued erosion in earnings ("attrition") resulting from capital additions	
14	in 2012 and 2013. I calculated that the Company will experience approximately \$2.7 million	
15	of earnings erosion, or "attrition" if planned capital additions are not included in rate	
16	base.(Id. at 59) This translates into a 1.6% reduction in return on equity (.79% reduction in	
17	rate of return	).( <u>Id</u> .)
18	The p	purpose of my supplemental testimony is to further corroborate my finding of
19	attrition, by n	neans of a separate analysis, using the techniques employed by Dr. Lowry in his
20	electric attrit	ion study for the Company. (See Exhibit No(MNL-1T) through Exhibit
21	No(MN	L-5)
22	Q.	What did this additional analysis show?

1	A. This analysis demonstrates an attrition-adjusted subtotal of the revenue	
2	requirement for the 2013 rate year of \$10.528 million, which is \$0.952 million higher than	
3	the attrition-adjusted subtotal of the revenue requirement of \$9.576 million shown on my	
4	Exhibit No. (EMA-3), page 9 of 9, column ADJ-Ttl, line 49, and explained in my earlier	
5	direct testimony <sup>1</sup> . While the Company is not increasing its filed-for revenue requirement as	
6	a result of this additional analysis, its purpose is to further corroborate my attrition analysis	
7	provided in my direct testimony. As such, it will provide useful information for the	
8	Commission to consider, as it deliberates on the issue of attrition.	
9	Q. Are you sponsoring an additional exhibit to be introduced in this	
10	proceeding?	
11	A. Yes. I am sponsoring Exhibit No. (EMA-6) (Natural Gas), which was	
12	prepared under my direction.	
13	II. GAS ATTRITION STUDY	
14	Q. Would you please explain how the additional attrition analysis for gas	
15	operations was prepared?	
16	A. Yes. The Company prepared the additional analysis of attrition for gas	
17	operations in a manner similar to how Dr. Lowry prepared the Electric Attrition Study. Prior	
18	Commission Basis Reports were used to develop trended growth rates for non-gas cost	
19	operating expenses, depreciation/amortization expense, taxes other than income, and rate	
20	base. The Company selected compound growth factors from the same periods that were	

<sup>&</sup>lt;sup>1</sup> This 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)

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

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Q. Would you please explain what is contained in Exhibit No. (EMA-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?

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

Supplemental Testimony of Elizabeth M. Andrews Avista Corporation Docket Nos. UE-120436 & UG-120437

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

2 A. Yes, it does.