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Via Electronic and United States Mail

April 13, 2015

Steven V. King, Executive Director and Secretary
Washington Utilities and Transportation Commission
1300 S. Evergreen Park Dr. S.W.
P.O. Box 47250
Olympia, Washington 98504-7250

RE: *Investigation of possible ratemaking mechanisms to address utility earnings attrition,*
Docket U-150040

Dear Mr. King:

The Commission recently notified the parties of an attrition discussion workshop that will take place on April 16, 2015. In advance of the workshop, enclosed for filing in the above-referenced dockets are the original and six copies of Staff's Summary of All Parties' Comments, and Certificate of Service.

Sincerely,

PATRICK J. OSHIE
Assistant Attorney General

PJO:klg
Enclosure

	"Modified" historical test yr	Reason	Attrition Allowance	Reason	Future test year	Reason	Other mechanisms
Public Counsel	Yes	Rates based on actual, verifiable, auditable, known and measurable costs	No	Subjective, ambiguous, and difficult to verify; substantial reliance on projections; negative effect on management's incentive to control costs			EoP rate base, ERF
ICNU	Yes	Rates based on known and measurable costs	No	Neither known and measurable, nor subject to full review in a regulatory proceeding; Self-fulfilling cycle that promotes continued spending to sustain trends; Commission would allow the company to earn a return on capital expenditures that have not been determined to be prudent	No	Similar to an attrition allowance, a future test year would be based on projections of costs that are not known and measurable such as budgets, which are highly discretionary	
Commission Staff	Yes	Known and measurable costs; Closer alignment of test year plant balances and rate year plant balances	Yes	Matching principle maintainence; simpler analysis; all necessary data available at the time of filing;	No	Does not meet the known and measurable standard; speculative; may be prohibited by rule	CWIP

	"Modified" historical test yr	Reason	Attrition Allowance	Reason	Future test year	Reason	Other mechanisms
NWIGU	Yes	Rates based on actual and verifiable costs; establishes rates no higher than what is necessary; provides economic incentive for utility managers to aggressively manage costs; regulatory lag symmetrically impacts both the utility and its customers	No	Projected costs are uncertain and not known and measurable. Introduces costs which do not meet the normal standard to ensure rates reflect only reasonable and prudent costs of service. Can erode management's economic incentive to aggressively manage costs. Can skew the practice of setting just and reasonable rates; will tilt the current balanced treatment for investors and customers in favor of investors which is unnecessary and unjust.	No	Rates based on budgeted amounts which are necessarily speculative	EoP rate base
PacifiCorp	No	Does not adequately address regulatory lag			Yes	Rates set at a level representative of the costs expected during the rate year	Adjustment mechanisms or tariff riders outside of a GRC for major capital additions; PCA
NW Natural	No	The utility cannot catch up to systematic increases of existing costs caused by inflation when revenue recovery commensurate with new rates reflects costs that occurred more than a year previously			Yes	Accounts for systematic increases in existing costs; would merely broaden the use of different methods of normalization	

	"Modified" historical test yr	Reason	Attrition Allowance	Reason	Future test year	Reason	Other mechanisms
PSE	No	Has not provided for adequate and timely recovery of costs. The Commission's narrowed use of these adjustments have greatly diminished their value in addressing earnings attrition.	Yes; "K-factor" adjustment	The k-factor provides pre-determined increases to authorized revenue per customer that helps to address earnings attrition, which when combined with the stay-out perioed provides further incentive for the company to manage its costs and seek efficiencies.			decoupling; ERF; PCA; PCORC; trackers; riders; forecasted test year
Avista	No	During times when captial investment is growing at a much faster pace than retail sales revenues, ratemaking practices using historical test periods with limited pro forma adjustments do not provide for adequate and timely recovery of costs or the opportunity to earn a reasonable return.	Yes	Adheres to the matching principle; properly matches revenues, expenses and rate base during the rate effective period	Yes	With precautionary steps to ensure costs included in rates are representative of actual costs) (e.g. tracking mechanisms or a true-up)	
Cascade	No	In periods of high investment without supporting growth in revenues, historical ratemaking results in virtually no chance of achieving an authorized rate of return					Allow recovery of all non-revenue generating investments within the Pipeline Replacement CRM