

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,

Complainant,

v.

AVISTA CORPORATION d/b/a AVISTA
UTILITIES,

Respondent.

DOCKETS UE-140188 and
UG-140189

ANSWER OF AVISTA
CORPORATION TO PUBLIC
COUNSEL'S MOTION TO
STRIKE

1 Avista Corporation, pursuant to WAC 480-07-375, herewith responds to Public
Counsel's "Motion to Strike Certain Testimony and Exhibits Filed by Avista," filed on July
2, 2014. In its Motion, Public Counsel seeks to strike testimony and exhibits related to
Avista's 2016 attrition study, as identified in Table 1 of its Motion.

**I. PUBLIC COUNSEL'S ARGUMENTS ARE, AT BEST,
CONCLUSORY IN NATURE**

2 In its brief Motion, Public Counsel contends that the information pertaining to the
2016 attrition study was not relied upon by the Company and "does not pertain to the
requested rates." (Motion at ¶1). Its reasoning is simply expressed as follows:

In this case, the 2016 attrition study is beyond the scope of the proceeding, and as a
result tends to mislead, distract, confuse, waste time and be too remote. The
Commission may properly exclude the 2016 attrition study. (Motion at ¶5).

That is the full extent of Public Counsel's analysis. Nowhere does Public Counsel explain
how this information would "mislead" or "distract" or "confuse" or "waste time" or be "too
remote." Conclusory statements such as these do not substitute for sound reasoning or
informed argument. They are certainly not the basis, without more, for striking evidence
which, as discussed below, will further the understanding of the Commission and the parties

of the issues, provide necessary context for the proposed rates, and result in a complete evidentiary record for decision-making.

II. INFORMATION PERTAINING TO 2016 WILL PROVIDE USEFUL INFORMATION FOR THE COMMISSION'S DECISION

3 The occurrence of attrition is not related to a discrete, single rate year. Rather, it speaks to ongoing trends in rate base, revenues and expense over time. Hence, any attrition study should properly examine “trends” in the relationship of rate base, expense and revenues over time, to examine the sufficiency of rates.

4 The development of a complete record that does not look just at the 2015 rate year in isolation, but also examines whether these relationships in rate base, expense and revenues will persist over time is instructive. The 2016 attrition study demonstrates that the attrition up to and including 2015 is not an aberration, and is likely to continue beyond the 2015 rate year. This will inform the judgment of the Commission as it examines the trending behind the 2015 study and whether those trending relationships are likely to continue. Indeed, as noted in the prefiled testimony of Company Witness Norwood, the “mismatch in the growth of net plant investment and sales is forecasted to continue to the future,” and O&M and A&G expenses are growing at a faster pace than sales through at least 2017. (Exh. No. KON-1T, p. 12, ll. 12-16).¹ Moreover, as will be discussed below, the 2016 attrition information will allow the Commission to properly assess any multi-year rate plan that might be brought before it by one or more parties to these dockets.

5 Public Counsel’s viewpoint is particularly myopic on this issue. Surely it understands that the Commission, and all parties for that matter, routinely examine

¹Referring to forecasted growth in net plant, expenses and revenue through 2017, as shown in Illustration No. 1 of Mr. Morris’ prefiled testimony, Exh. No. SLM-1T, p. 6, ll. 14-22.

information that extends well beyond the rate year in assessing the need for rate relief. Financial and operating forecasts pertaining to finances, capital expenditures, load growth, etc., are routinely examined, as a matter of course, for periods extending well beyond the rate year.² In fact, discovery requests in these proceedings have requested forecasted information for periods beyond the 2015 rate year. This type of information should not be loosely characterized as “misleading” or as something that will “distract”, “confuse”, “waste time” or be otherwise “too remote”. The Commission does not make decisions in a vacuum. The 2016 attrition information will help build the evidentiary record necessary for the Commission to better assess the ongoing trending of rate base, expense and revenues, as it decides on rates for the rate year. While any projections beyond the rate year may always be challenged as to their sufficiency by any party, that simply goes to the weight afforded the evidence — not its admissibility.

III. THE EVIDENTIARY RECORD SHOULD BE COMPLETE TO ALLOW FOR CONSIDERATION OF RATE PLANS THAT MAY EXTEND BEYOND THE RATE YEAR

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One needs to look no further than the recent decision of the Thurston County Superior Court on June 4, 2014, in Industrial Customers of NW Utilities v. WUTC and WA State Attorney General’s Office v. WUTC (Thurston County Case Nos. 13-2-01576-2 and 13-2-01582-7) to properly appreciate the need for a developed record to support consideration of a rate plan. There, the court accepted Public Counsel’s arguments that there was insufficient evidence in the record to support Puget Sound Energy’s (PSE) rate

² See, e.g., “current and future capital expenditure programs” (five year plan [2014-2018]) Thies Exh. No. MTT-1T, p. 6, ll. 1-14; Defelice Exh. No. DBD-2 “Capital Expenditures 2005-2018”; Morris, Illustration #1 “Utility Costs Are Rising Much Faster Than Sales” [2005-2017], Exh. No. SLM-1T, p. 6, ll. 14-22; long-term debt issuances through 2018, Thies Exh. No. MTT-1T, p. 9, ll. 16-19 and Exh. No. MTT-5C; outlook for capital costs and interest rate trends (2013-2018), McKenzie Exh. No. AMM-1T, p. 19, ll. 3-11 and p. 19, ll. 16-18; projected bond yields for 2014-2017, Exh. No. AMM-9, p. 2.

plan and that PSE had failed, accordingly, to meet its burden of proof. The irony in Public Counsel's Motion should be apparent. Here, by the Motion to Strike, Public Counsel is trying to prevent the building of an evidentiary record that might support, not only the 2015 attrition adjustment (demonstrating that it is not just an a single year occurrence), but also any rate plan that might be proposed in this case that would extend beyond the rate year. In the process, it would be trying to prevent Avista from discharging its burden of proof. Given the recent Thurston County decision, Public Counsel's position in this docket is quite remarkable.


7 In the final analysis, the Commission's interest is in having a complete record for its decision:

The Commission's paramount interest in every case is to have the best possible record for decision.... [The] Commission's obligation to regulate in the public interest requires that we proceed to a reasoned decision on the basis of a record that is complete and includes the best evidence that can be made available to us within a reasonable period of time.

In Re MidAmerican Energy Holdings and Pacificorp, Docket UE-051090, Order 5 at ¶11 (Nov. 10, 2005). Elsewhere, the Commission has generally noted the "need to develop a robust record of evidence to inform [its] judgment." WUTC v. Puget Sound Energy, Inc., Dockets UE-090704, et al, Order 11 at ¶292 (April 2, 2010).

Wherefore, for the foregoing reasons, Avista respectfully urges the Commission to reject Public Counsel's Motion to Strike.

Respectfully submitted this 11th day of July, 2014.


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for Avista Corporation