

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION STAFF
RESPONSE TO DATA REQUEST

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| DATE PREPARED: | December 15, 2006 | WITNESS: | Mike Parvinen |
| CASE NO.: | UG-060256 | RESPONDER: | Mike Parvinen |
| REQUESTER: | WUTC | TELEPHONE: | (360) 664-1315 |

BENCH REQUEST NO. 4:

In paragraph 5 of the Narrative Statement Regarding Settlement Agreement, Exhibit 2, the parties identify contested overall rates of return, revenue requirement return based on the parties' return recommendations and an agreed upon revenue requirement with respect to return. The Narrative Statement states "This revenue requirement for overall return is in the middle of the range between the two Parties' positions on this issue." Staff asserts that the overall return can be "fairly estimated" based on the evidence set forth in the Settlement Agreement. *Staff Reply Brief*, ¶ 20.

Using the evidence set forth in the Settlement Agreement, we conclude that the parties agreed on net income available for return before adjustments are made for the items listed in Attachment A to the Agreement. We estimate this net income for return to be \$20,484,254 (net income per books plus the settlement "revenue requirement of \$7,480,632 with respect to return" adjusted to net income by the conversion factor). Applying this net income to the settlement rate base of \$231,493,760 yields an overall return of 8.85 percent. Is this the fair estimation the Staff has in mind? Is this what the Staff and the Company intended in paragraph 12(a) of the Settlement Agreement? If not, how do Staff and the Company intend that we fairly estimate the overall return?

RESPONSE:

Yes, Staff agrees that 8.85 percent is a fair estimate of the overall return contained in the Settlement Agreement.