

**BEFORE THE WASHINGTON STATE
UTILITIES AND TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND	)	DOCKETS UE-090134
TRANSPORTATION COMMISSION,	)	and UG-090135
	)	(consolidated)
Complainant,)	
)	
v.	)	ORDER 09
)	
AVISTA CORPORATION, d/b/a)	
AVISTA UTILITIES,)	
)	
Respondent.)	
.....)	
)	
In the Matter of the Petition of	)	DOCKET UG-060518
	)	(consolidated)
AVISTA CORPORATION, d/b/a)	
AVISTA UTILITIES,	)	ORDER 09
)	
For an Order Authorizing	)	THIRD PREHEARING
Implementation of a Natural Gas	)	CONFERENCE ORDER; SETTING
Decoupling Mechanism and to Record	)	DEADLINES FOR FILING OF
Accounting Entries Associated With the	)	CROSS-EXAMINATION
Mechanism.	)	MATERIALS; AMENDED NOTICE
.....	)	OF HEARING SCHEDULE
	)	(Now Set for October 6-9, 2009)

1 **NATURE OF PROCEEDINGS:** On January 23, 2009, Avista Corporation d/b/a Avista Utilities (Avista) filed with the Washington Utilities and Transportation Commission (Commission) revisions to its currently effective Tariff WN U-28, Electric Service in Docket UE-090134, and revisions to its currently effective Tariff WN U-29, Gas Service in Docket UG-090135. The stated effective date of the tariff revisions is February 23, 2009. The proposed revisions would have implemented a general rate increase of \$69.8 million, or 16.0 percent, for electric service and \$4.9 million, or 2.4 percent, for gas service. Avista also proposed to decrease the current Energy Recovery Mechanism surcharge by \$32.4 million, or 7.4 percent, resulting in an overall net increase of 8.6 percent for electric rates. On February 3, 2009, the Commission suspended operation of these proposed tariffs and subsequently set the matter for hearing in October 2009. *Order 01* and *Order 02*.

- 2 On April 30, 2009, Avista filed a petition to consolidate Docket UG-060518, a matter regarding the Company's pilot decoupling mechanism, with the rate case proceeding. The Company's petition also sought to extend the pilot program beyond its scheduled termination date of June 30, 2009.
- 3 On May 15, 2009, the Commission granted Avista's request to consolidate the decoupling docket into the general rate cases. *Order 06*. Later, after evaluating the parties' responsive pleadings, on June 30, 2009, the Commission granted Avista's request for an interim extension of its existing pilot decoupling mechanism pending entry of a final decision in the natural gas rate case. The Commission deferred evaluating the merits of the company's decoupling pilot program until the evidentiary hearing in October 2009. *Order 07*.
- 4 On September 4, 2009, the parties filed a Partial Settlement Stipulation; The Northwest Energy Coalition (NVEC) is not a signatory to this proposed settlement, but does not oppose its terms. The proposed partial settlement purports to resolve issues relating to cost of capital, power supply, rate spread and rate design, and low-income ratepayer assistance. The parties continue to dispute issues surrounding revenue requirement, power supply (Lancaster), Schedule 101 gas rate design, and various decoupling issues. On September 17, 2009, the settling parties filed Joint Testimony in Support of Partial Settlement Stipulation.
- 5 **CONFERENCE.** The Commission convened a prehearing conference in these consolidated proceedings at Olympia, Washington on Wednesday afternoon, September 23, 2009, before Judge Adam E. Torem.
- 6 **PARTY REPRESENTATIVES:** David J. Meyer, Vice President and Chief Counsel for Regulatory and Governmental Affairs, represents Avista. Simon ffitch, Assistant Attorney General, Seattle, Washington, represents the Public Counsel Section of the Washington Office of Attorney General (Public Counsel). Greg Trautman, Assistant Attorney General, Olympia, Washington, represents the Commission's regulatory staff (Commission Staff or Staff).¹ S. Bradley Van Cleve and Irion Sanger, Davison

¹ In formal proceedings, such as this, the Commission's regulatory staff functions as an independent party with the same rights, privileges, and responsibilities as other parties to the proceeding. There is an "ex parte wall" separating the Commissioners, the presiding

Van Cleve, P.C., Portland, Oregon, represent the Industrial Customers of Northwest Utilities (ICNU). Chad M. Stokes and Tommy Brooks, Cable Huston Benedict Haagensen & Lloyd LLP, Portland, Oregon, represent Northwest Industrial Gas Users (NWIUGU). David Johnson, Seattle, Washington, represents NWECC. Ronald Roseman, Seattle, Washington, represents The Energy Project.

- 7 **AMENDMENTS TO PROCEDURAL SCHEDULE.** The parties proposed an agreed set of pre-hearing deadlines relating to submission of estimates of time for cross-examining witnesses and filing related cross-examination exhibits. Also, in light of the Partial Settlement Stipulation, the parties proposed an agreed schedule revising and reducing the number of days allotted for the evidentiary hearing. Finally, the parties proposed an agreed ordering of the issues to be presented in these dockets, as follows:

Partial Settlement Stipulation (Panel of Witnesses)	Oct 6, 2009 ²
Contested Revenue Requirement Adjustments	Oct 7, 2009
Contested Power Supply Issues (Lancaster)	Oct 7-8, 2009
Decoupling	Oct 8-9, 2009

The Commission concurs with this order of presentation and adopts the proposed hearing agenda and timetable.

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Administrative Law Judge, and the Commissioners' policy and accounting advisors from all parties, including regulatory staff. *RCW 34.05.455.*

² NWECC sought and received permission to be absent from the proceedings on October 6, 2009.

8 **EXCUSAL OF WITNESSES FROM APPEARING.** In light of the Partial Settlement Stipulation, individual presenting parties requested that some of their witnesses be wholly excused from appearing at the evidentiary hearing or, as specified below, permitted to appear telephonically (on multiple days, if needed) and avoid the commitment of time and expense associated with travel to Olympia:

Scott L. Morris, Mark T. Thies, and William E. Avera (Avista)
Joanna Huang and Vanda Novak (Commission Staff)
David C. Parcell – *phone only* (Commission Staff)
Michael P. Gorman – *phone only* (Public Counsel and ICNU)
Glenn A. Watkins – *phone only* (Public Counsel and The Energy Project)

No parties objected to these requests. Further, Commission Staff and Public Counsel have confirmed the availability of their telephonic witnesses for both the panel of witnesses available to support the proposed Partial Settlement Stipulation and for subsequent days of the evidentiary hearing.

9 Upon evaluation of the procedural posture of the case and the pre-filed testimony of these witnesses, the Commission grants the requests for Mr. Morris, Mr. Thies, Mr. Avera, Ms. Huang, and Ms. Novak to be completely excused from appearing at the evidentiary hearing; the Commission expects that the pre-filed testimony and supporting exhibits offered by these witnesses will be admitted to the record in these dockets. The Commission further grants the requests for Mr. Parcell, Mr. Gorman, and Mr. Watkins to appear telephonically, with the expectation that they will be available not only on the panel of witnesses supporting the proposed Partial Settlement Stipulation, but also at any later phase of the evidentiary hearing as dictated by the agenda and timetable approved above.

10 **DEADLINE FOR SUBMISSION OF CROSS-EXAMINATION ESTIMATES.** The parties proposed that they submit their cross-examination estimates for individual witnesses no later than **Thursday, October 1, 2009**. The Commission accepts and adopts this deadline. The Commission prefers that the parties jointly submit a single spreadsheet summarizing all parties' individual estimates and indicating the total time estimated to be required for each witness.

11 **FILING OF CROSS-EXAMINATION EXHIBITS.** The parties proposed that they each file their cross-examination exhibits on Friday, October 2, 2009. The Commission accepts this date, but sets **12:00 noon on Friday, October 2, 2009**, as the filing deadline for all cross-examination exhibits. Compliance with this deadline requires both electronic submission *and* actual receipt of all original cross-examination exhibits at the Commission (via mail, courier, or hand-delivery). Parties are also required to serve their proposed cross-examination exhibits on the other parties for their receipt no later than the following business day.

12 Please note the following procedural details associated with the filing of cross-examination requirements:

Each party's cross-examination exhibits must also be accompanied by an exhibit list identifying each cross-examination exhibit by witness.

Parties must provide two sets of proposed cross-examination exhibits for each witness to the party sponsoring the witness (one for counsel, one for the witness), and one set of proposed cross-examination exhibits to each party not sponsoring the witness. Parties must also file the required 17 paper copies with the Commission's Records Center. *Order 02*, para 21.

Individual exhibits must be separated by an index sheet with a blank tab on the right side; every sheet and index tab must be three-hole punched (oversize holes preferred); every page of every exhibit must have a page number.

13 **AMENDED NOTICE OF HEARING SCHEDULE.** The Commission will hold evidentiary hearings in this matter **beginning with a consideration of the parties' proposed Partial Settlement Stipulation on Tuesday, October 6, 2009, at 1:30 p.m.**, then taking up all remaining contested issues at 9:30 a.m. the following day and continuing thereafter, as necessary, until Friday, **October 9, 2009**, in the Commission's Hearing Room, Second Floor, Richard Hemstad Building, 1300 S. Evergreen Park Drive S.W., Olympia, Washington.

14 **NOTICE TO PARTIES:** A party who objects to any portion of this Order must file a written objection within ten (10) calendar days after the service date of this Order, pursuant to WAC 480-07-430 and WAC 480-07-810. The service date appears on the first page of the order in the upper right-hand corner. Absent such objection, this Order will control further proceedings in this matter, subject to Commission review.

Dated at Olympia, Washington, and effective September 24, 2009.

WASHINGTON STATE UTILITIES AND TRANSPORTATION COMMISSION

ADAM E. TOREM
Administrative Law Judge