

**Exh. BAE-6
Dockets UE-170485/UG-170486
Witness: Betty A. Erdahl**

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,**

Complainant,

v.

**AVISTA CORPORATION d/b/a
AVISTA UTILITIES,**

Respondent.

**DOCKETS UE-170485 and
UG-170486 (*Consolidated*)**

**EXHIBIT TO
TESTIMONY OF**

BETTY A. ERDAHL

**ON BEHALF OF STAFF OF
WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION**

Avista Response to Staff Data Requests No. 241

October 27, 2017

**AVISTA CORP.
RESPONSE TO REQUEST FOR INFORMATION**

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|---------------|-----------------------|----------------|-----------------------------|
| JURISDICTION: | WASHINGTON | DATE PREPARED: | 09/29/2017 |
| CASE NO.: | UE-170485 & UG-170486 | WITNESS: | Elizabeth Andrews |
| REQUESTER: | UTC Staff-Erdahl | RESPONDER: | Jeanne Pluth |
| TYPE: | Data Request | DEPT: | State & Federal Regulation |
| REQUEST NO.: | Staff - 241 | TELEPHONE: | (509) 495-2204 |
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REQUEST:

Investor Supplied Working Capital

When did Avista begin allocating working capital using the current asset and current liability accounts it uses in this case rather than allocating working capital based on rate base?

RESPONSE:

In response to Staff's data requests Nos. 241 – 243, Avista provides the following recap of how the Company began using its current method of calculating and allocating working capital.

In the 2010 GRC (Docket Nos. UE-100467 and UG-100468), Avista filed the case including working capital that was calculated using the FERC 45-day method. In previous general rate cases, Avista had filed with the lead/lag method, and during settlement had agreed to exclude it from rate base. During the 2010 GRC, WUTC Staff Mr. Martin had prepared working capital using the ISWC method. He had used rate base to allocate working capital to the operating jurisdictions, but during settlement discussions indicated that it was not Staff's preferred method. The case was settled so the Commission did not specifically address working capital in the order.

In the 2011 GRC (Docket Nos. UE-110876 and UG-110877), the Company re-created the ISWC method Staff Mr. Martin had used in the 2010 GRC. Avista did not have the detail account assignments that Mr. Martin had assigned, so the account assignments in this GRC were not identical to Staff Mr. Martin's assignment from 2010. Rate base was used to allocate working capital to the operating jurisdictions, as Mr. Martin had used. Mr. Martin had requested that Avista allocate working capital using the components of CWC in Staff_DR_273 (provided as Staff_DR_241-Attachment A). This new method was not used. The case was settled and Avista's method, with some revisions to account assignment, was accepted. Again, the Commission did not address working capital in the order.

The Company used the exact same method in its 2012 GRC (Docket Nos. UE-120436 and UG-120437). WUTC Staff Mr. Foisy reviewed the Company's working capital calculation. Like Mr. Martin, he had requested that Avista allocate working capital using the components of CWC in Staff_DR_294 (provided as Staff_DR_241-Attachment B). This new method of allocating working capital was not used. The case also was settled, so the Commission did not address working capital in the order. The Commission approved a 2-year rate plan.

In the 2014 case (Docket Nos. UE-140188 and UG-140189), the Company used the same method to determine the level of working capital, with the one addition of including the pension accounts in CWC. In addition, **the Company had developed the method to allocate working capital using the**

CWC account balances. The allocation method using the CWC accounts was determined by reviewing the purpose of each account and how each account was impacted by service/jurisdiction. WUTC Staff Ms. Erdahl reviewed the Company's working capital calculation, including the allocation method. The testimony of Ms. Erdahl from this case has been provided as Staff_DR_241-Attachment C. The portion of this testimony that Avista believes to be important follows (at page 10, lines 1-6):

“The next step is to allocate this \$72,985,355 of ISWC for regulated operations to appropriate jurisdictions, using the allocation methodology Avista uses for all of its common costs. Beginning at page 85 of her direct testimony, Exhibit No. ____ (EMA-1T), Avista witness Ms. Andrews further describes the details of the Company's allocation methodology. The Commission previously approved this methodology.”

A settlement by parties was reached in the 2014 GRC, therefore, working capital was not specifically addressed in the order.

The Company used the same method to determine and allocate working capital in its 2015 GRC (Docket Nos. UE-150204 and UG-150205) that was used in the 2014 GRC. There was no settlement reached among the parties. In Order 05, the Commission included working capital as an uncontested adjustment, which approves the methodology that was used by Avista by the Commission. (See Table B1, page 99, line 4 for electric and Table B2, page 100, line 4 for natural gas.) Consistent with the method approved for Avista by the Commission in its 2015 GRC, the Company used the same method in the current general rate case and believes it is the appropriate methodology for assigning working capital between service and jurisdictions.