

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

JURISDICTION:	WASHINGTON	DATE PREPARED:	09/21/2009
CASE NO:	UE-090134 & UG-090135	WITNESS:	Kelly Norwood/Brian Hirschkom
REQUESTER:	Public Counsel	RESPONDER:	Tara Knox / Brian Hirschkom
TYPE:	Data Request	DEPT:	Rates
REQUEST NO.:	PC - 523	TELEPHONE:	(509) 495-4325
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REQUEST:

At page 35, line 3-4 and lines 8-9, Mr. Norwood's Rebuttal Testimony refers to, "fixed costs" and to, "recovery of costs approved by the Commission." Please provide the following information:

- a) To what extent are Avista's "fixed costs" actually variable rather than "fixed" from year to year because of:
 1. Changes in the number of customers being served?
 2. Inflationary impacts upon wage rates, benefit costs and materials and supplies purchased to provide service?
 3. Productivity gains caused by the utilization of technology and or improved management of resources?
 4. Changes in business regulations or revisions in tax codes/rules?
 5. Changes in the cost of capital and interest rates?
- b) Is it the Company's opinion that the Commission's rate orders are intended to insure "full recovery" of the specific amount of cost recovery revenues that are established in each test year, without regard to the changes in cost levels that may occur after the test year?
- c) Is it the Company's opinion that the Commission's rate orders are intended to insure "full recovery" of the specific amount of cost recovery revenues that are established in each test year, without regard to the changes sales volumes that may occur due to general economic conditions, customer conservation, customer additions, price elasticity or other factors?
- d) Provide copies of all documents associated with or supportive of your responses to parts (a) through (c) of this data request.

RESPONSE:

- a) All of the items mentioned result in changes in "fixed costs" from year to year. Number of customers on the system, obviously, causes additional plant investment and related direct costs. Inflation certainly is expected to increase costs over time and productivity gains may offset some of the pressures from inflation. Additional mandatory requirements or the elimination of tax benefits would increase "fixed costs". Changes to interest rates and capital structure also impact

- the required return component of “fixed costs”. Precise measurement of the extent to which the Company will be effected by each of these variables has not been quantified.
- b) No, the Commission’s (general) rate orders are not intended to “insure” recovery of a specific level of revenue in the future.
- c) See answer to part b) above.
- d) The RCW 80.28.020 - Commission to fix just, reasonable, and compensatory rates. The RCW discusses the need for rates to be fair, just, reasonable, and sufficient to yield a reasonable compensation for services rendered.