

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION STAFF
RESPONSE TO DATA REQUEST

DATE PREPARED: October 2, 2009
DOCKETS: UE-090134/UG-090135
REQUESTER: Public Counsel

WITNESS: David Parcell
RESPONDER: David Parcell
TELEPHONE: 360-664-1255

REQUEST NO. 6: Does Mr. Parcell agree that if decoupling mechanisms and straight fixed variable rate designs, such as Staff's proposal in Deborah Reynolds' Direct Testimony (Exhibit No. ___ (DJR-1T)), stabilize the Company's revenues and make the Company's earnings and cash flow outlooks more predictable and stable, then the Company's operating risk will be reduced, and this operating risk reduction should be reflected in the utility's return on equity?

RESPONSE: First, Mr. Parcell disagrees with the characterization of Ms. Reynolds's proposal as a "straight fixed variable rate design." A straight fixed variable rate design would require a monthly customer charge of \$22.45 to recover fixed costs as represented by the Company. Staff's proposal is to increase the customer charge to \$8.00 on January 1, 2010, and then to \$10.00 on January 1, 2011. Mr. Parcell agrees that decoupling mechanisms, straight fixed variable rate designs, and rate designs such as that proposed by Ms. Reynolds, help stabilize utility revenues and make earnings and cash flow outlooks more predictable and stable in varying degrees, and thus are risk reducing to utilities, other things being equal. Mr. Parcell notes that Avista has had a pilot decoupling mechanism in place for over two years, so this is not a new factor in this proceeding. Mr. Parcell also notes that Staff's position in the current proceeding is essentially to replace the existing pilot decoupling mechanism with another regulatory mechanism which in some ways is similar from a "rate stabilizing mechanism" viewpoint. As a result, Staff's position in the current proceeding does not appear to reflect any significant change in the perceived risk position of Avista.