

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

JURISDICTION:	WASHINGTON	DATE PREPARED:	10/05/2009
CASE NO:	UE-090134 & UG-090135	WITNESS:	N/A
REQUESTER:	Bench	RESPONDER:	Elizabeth Andrews
TYPE:	Data Request	DEPT:	State & Federal Regulation
REQUEST NO.:	Bench – 3	TELEPHONE:	(509) 495-8601
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**REQUEST:**

The Joint Testimony in Support of the Partial Settlement Stipulation indicates that the settling parties agreed to certain revenue requirement adjustments: \$36,876,000 in the electric case and \$1,234,000 in the natural gas case.<sup>1</sup> Further, the Partial Settlement Stipulation also updates Avista's post-settlement revenue requirement for its electric case (\$38.61 million) and gas case (\$3.14 million) and notes that non-company parties "continue to recommend a lower revenue requirement, based on the remaining contested issues."<sup>2</sup> In the Joint Testimony, the non-company parties recommend revenue requirements of "no more than \$32,886,000 for electric and \$3,685,000 [for gas] based on the agreed adjustments, as well as further reductions based on remaining contested issues."<sup>3</sup>

Bench Request No. 3: Please explain whether the figures contained in the Partial Settlement Stipulation and Joint Testimony in Support of the Partial Settlement Stipulation (cited above) give effect to the same agreed adjustments. Further, please explain:

- a) the difference in the electric case between Avista's \$38.61 million request and the non-party \$32.9 million ceiling for the post-Settlement revenue requirement.
- b) the difference in the natural gas case between Avista's \$3.14 million request and the non-party \$3.7 million ceiling for the post-Settlement revenue requirement.

**RESPONSE:**

Electric Service

In the Stipulation, all settling parties agreed to electric adjustments of \$36.876 million. (See Page 1 of Attachment A for detail of adjustments.) After giving effect to these adjustments, the revenue requirement based upon the Stipulation's agreed upon adjustments is \$32.886 million, before recognizing other contested adjustments, as explained below.

Page 1 of the attached exhibit provides detail of Avista's contested adjustments that total \$5.719 million. After giving effect to these adjustments, Avista's revised revenue requirement is \$38.605 million.

One of the Company's contested adjustments is the Production Property Adjustment (PPA). The PPA is impacted by all pro forma production and transmission revenue, expense and rate base adjustments ultimately included in each of the parties individual revenue requirements. It acts as an offsetting adjustment (opposite of the direct production and transmission related adjustments) and therefore will change based upon the Commission's ultimate decision on those pro forma adjustments. The impact of

<sup>1</sup> Exh. JT-1T, Joint Testimony in Support of Partial Settlement Stipulation, at 8:19-21.

<sup>2</sup> Partial Settlement Stipulation, page 3. *See also*, Exh. JT-1T, at 2:3-6 and 8:17 – 9: 4.

<sup>3</sup> Exh. JT-1T, at 2:6-8; *see also* Exh. JT-1T, at 9:4-6.

the PPA in the Company's original filing reduced the Company's revenue requirement by \$12.1 million. Since the net power supply costs were decreased \$27.5 million within the Stipulation, as shown in the attachment, mainly due to reduced natural gas prices and a reduction in the expected pro forma loads, the revised reduction to the revenue requirement is \$4.1 million, as proposed by Avista. This results in a net change (increase) to the revenue requirement for the PPA of \$7.992 million, as shown in the attachment. The PPA offset to the \$27.5 million decrease in power supply expenses was not included in the Stipulation, because there was not agreement in the exact amount of the PPA offset.

#### Natural Gas Service

In the Stipulation, all settling parties agreed to natural gas adjustments of \$1.233 million. (See Page 2 of Attachment A for detail of adjustments.) After giving effect to these adjustments, the revenue requirement based upon the Stipulation's agreed upon adjustments is \$3.685 million, before recognizing other contested adjustments, as explained below.

Page 2 of the attached exhibit provides detail of Avista's contested adjustments that total (\$0.541) million for natural gas. After giving effect to these adjustments, Avista's revised revenue requirement is \$3.144 million.

**Avista Utilities**  
**Docket Nos. UE-090134, UG-090135, and UG-060518**  
**Electric**

	<u>At Settlement</u>	<u>Rebuttal</u>
	<u>\$000s</u>	
<b>Revenue Requirement As Filed by Avista</b>	\$ 69,762	\$ 69,762
<b>Agreed Upon Adjustments:</b>		
<b>Cost of Capital</b>		
(1) Return On Equity = 10.2%    Cost of Debt = 6.57%	(6,152)	(6,152)
(2) Common Equity = 46.5%	(815)	(815)
<b>Power Supply</b>		
(3) Power Supply Adj - Updated Gas Prices & Contracts	(18,100)	
(4) Power Supply Adj - Filtering Adjustment	(729)	
(5) Power Supply Adj - Retail Load Adjustment	(9,091)	
(6) Power Supply Adj - Colstrip Availability (No Adjustment to Original Filing)	0	
(7) Power Supply Adj - WNP-3 (No Adjustment to Original Filing)	0	
(8) Adjust Kettle Falls Fuel Volume	383	
Total Power Supply Adjustments	(27,537)	(27,537)
(9) Pro Forma O&M Generation	(2,372)	(2,372)
<b>Total Agreed Upon Adjustments</b>	(36,876)	(36,876)
<b>Revenue Requirement Based Upon the Stipulations' Agreed Upon Adjustments</b>	32,886	32,886
<b>Avista's Litigation Position on Contested Adjustments:</b>		
Lancaster Prudence	0	0
Labor	(254)	(678)
Capital Additions	0	0
CDA Tribe Settlement	0	0
Asset Management	0	0
Information Services	0	(717)
Colstrip - Mercury Emission	(978)	(978)
Incentives	0	0
Pension Expense	551	551
Insurance	(68)	(68)
Director & Officers Insurance	0	0
Board of Directors Fees	0	0
Board Meeting Expenses	0	0
Property Taxes	(1,306)	(1,306)
Customer Deposits	0	0
Injuries & Damages	0	0
Spokane River Relicensing	194	194
Dues (Edison Electric Institute)	42	42
Restate Debt Interest <sup>(1)</sup>	(454)	(454)
Production Property Adjustment <sup>(1)</sup>	7,992	8,003
<b>Avista's Contested Adjustments</b>	5,719	4,589
<b>Avista's Litigation Position Including Contested and Agreed Upon Adjustments<sup>(2)</sup></b>	\$ 38,605	\$ 37,475

(1) The Restate Debt Interest and Production Property Adjustments will change if there are further adjustments to rate base and/or certain expenses from those proposed by Avista.

(2) The Company has since revised its litigation position as shown in the rebuttal testimony filed on September 11, 2009 to **\$37.475 million**. (See Table 1, Page 3 in Andrews Exhibit No. \_\_ (EMA-4T) and Page 1 of Exhibit No. \_\_ (EMA-5).)

**Avista Utilities**  
Docket Nos. UE-090134, UG-090135, and UG-060518  
Natural Gas

	<u>At Settlement</u>	<u>Rebuttal</u>
	<u>\$000s</u>	
<b>Revenue Requirement As Filed by Avista</b>	\$ 4,918	\$ 4,918
<b>Agreed Upon Adjustments:</b>		
<b>Cost of Capital</b>		
(1) Return On Equity = 10.2% Cost of Debt = 6.57%	(1,088)	(1,088)
(2) Common Equity = 46.5%	(145)	(145)
<b>Total Agreed Upon Adjustments</b>	(1,233)	(1,233)
<b>Revenue Requirement Based Upon the Stipulations' Agreed Upon Adjustments</b>	3,685	3,685
<b>Avista's Litigation Position on Contested Adjustments:</b>		
Labor	(71)	(184)
Capital Additions	0	0
Asset Management	0	0
Information Services	0	(182)
Incentives	0	0
Pension Expense	146	146
Insurance	(19)	(19)
Director & Officers Insurance	0	0
Board of Directors Fees	0	0
Board Meeting Expenses	0	0
Property Taxes	(471)	(471)
Customer Deposits	0	0
Injuries & Damages	0	0
Restate Debt Interest <sup>(1)</sup>	(60)	(60)
Dues (American Gas Association)	(66)	(66)
<b>Avista's Contested Adjustments</b>	(541)	(836)
<b>Avista's Litigation Position Including Contested and Agreed Upon Adjustments<sup>(2)</sup></b>	\$ 3,144	\$ 2,849

(1) The Restate Debt Interest Adjustment will change if there are adjustments to rate base from those proposed by Avista.

(2) The Company has since revised its litigation position as shown in the rebuttal testimony filed on September 11, 2009 to **\$2.849 million**. (See Table 2, Page 4 in Andrews Exhibit No. \_\_ (EMA-4T) and Page 2 of Exhibit No. \_\_ (EMA-5).)