BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

WUTC v. Avista Corporation d/b/a Avista Utilities – General Rate Case
Dockets UE-090134, UG-090135 and UG-060518 (consolidated)

RESPONSE OF PUBLIC COUNSEL TO UTC STAFF DATA REQUEST NO. 6

Request No:	6
Directed to:	Kevin Woodruff
Date Received:	8/28/09
Prepared by:	Kevin Woodruff
Date Prepared:	September 8, 2009

UTC STAFF DATA REQUEST NO. 6:

Please provide a quantification of the financial impact of the alternative treatments of the Lancaster contracts recommended in your testimony at KDW-1T, pp. 33-37, to the extent not shown in Table 7.

RESPONSE:

By "financial impact," Public Counsel (PC) assumes UTC Staff means the dollar impact on Avista's Washington ratepayers of alternative treatments of the Lancaster Contracts.

For the year 2010, the only treatment recommended in PC's testimony was the rejection of Avista's proposed assignment to Avista Utilities of all the Lancaster Contracts. (See p. 33, ll. 20-21 of Direct Testimony Kevin D. Woodruff (Exhibit No. ___ (KDW-1T)), as revised September 2, 2009.) As shown in Table 7 (p. 38), the estimated net benefits of this recommendation to Avista's Washington ratepayers, based on Avista's most recent modeling, would be $11.8 million.

For the years 2011 through 2026, PC offered two alternative approaches: (1) the rejection of the assignment of all of the Lancaster Contracts, or (2) the approval of the assignment of the Lancaster Power Purchase Agreement and eighty percent of the various gas transportation contracts, but the rejection of the assignment of the BPA transmission contract and the remaining twenty percent of the gas transportation contracts. (See p. 33, l. 22 to p. 35, l. 11.)

The "financial impact" of these two alternatives consists of three basic effects. The first such effect would be the reduction of Lancaster Contracts' fixed costs paid by Avista Utilities' ratepayers. Attachment A to this response provides a forecast (based on an estimate prepared for Avista by Thorndike Landing) of the Washington allocation of Lancaster Contracts' fixed costs from 2011 to 2026 for three alternatives: (1) Avista's proposal in this case, (2) PC's alternative to approve partial assignment of the Lancaster Contracts, and (3) PC's alternative to reject assignment of any of the Lancaster Contracts. The columns showing the net reduction in fixed costs to be assigned to Avista Utilities' Washington ratepayers are shown in bold text. The "partial assignment" alternative reduces ratepayers' fixed costs by about $5 million per year and the "reject assignment" alternative reduces such costs by about $20 million per year.

The second impact of PC's alternatives would be the effect on customers' energy costs of the presence or absence of the Lancaster Contracts in Avista Utilities' electric portfolio. In the "partial assignment" alternative, ratepayers would receive offsetting benefits of reduced energy costs due to the presence of the Lancaster Contracts. In the "reject assignment" alternative, no such benefits would accrue to ratepayers.

Forecasting the energy benefits of the Lancaster Contracts is quite speculative. There is no appropriate current forecast of such benefits for the years 2011 through 2026 in the record of this case. But Avista's estimate of the impact of the Lancaster Contracts on 2010 revenue requirements, cited above, is instructive. It is quite likely that similar increases in Avista ratepayers' revenue requirements would continue through the next few years, particularly if gas prices remain at or near current levels.

The third impact of PC's alternatives would be the effect on customers' capacity costs of the presence or absence of the Lancaster Contracts in Avista Utilities' electric portfolio. In PC's "reject assignment" alternative, customers might incur additional costs to fill Avista Utilities' purported capacity that starts in 2011. Customers would not incur such costs in the other two alternatives. As with estimates of the Lancaster Contracts' energy benefits, there is no appropriate current forecast of such costs for the years 2011 through 2026 in the record of this case. Had Avista conducted a Request for Proposals process, as required by Commission policy, such information might be available for the Commission's consideration. (See p. 10, ll. 6-9, p. 16, l. 23 to p. 17, l. 9 and p. 19, l/ 3 to page 20, l. 9.)

Estimated Impact of Alternative Treatments of Assignment of Lancaster Contracts on Fixed Costs Allocated to Avista's Washington Ratepayers ($000)

	Avista Proposal	Partial Assignment		Rejection of Assignment	
Year	Fixed Costs	Fixed Costs	**Reduction from Avista Proposal**	Fixed Costs	**Reduction from Avista Proposal**
2011	20,587	15,629	**4,958**	0	**20,587**
2012	20,894	15,850	**5,045**	0	**20,894**
2013	21,206	16,075	**5,131**	0	**21,206**
2014	21,526	16,303	**5,223**	0	**21,526**
2015	21,850	16,535	**5,315**	0	**21,850**
2016	22,180	16,770	**5,410**	0	**22,180**
2017	22,009	16,603	**5,406**	0	**22,009**
2018	19,761	14,773	**4,988**	0	**19,761**
2019	20,065	14,984	**5,081**	0	**20,065**
2020	20,373	15,198	**5,175**	0	**20,373**
2021	20,691	15,417	**5,274**	0	**20,691**
2022	21,012	15,639	**5,373**	0	**21,012**
2023	21,342	15,865	**5,477**	0	**21,342**
2024	21,676	16,096	**5,581**	0	**21,676**
2025	22,017	16,330	**5,687**	0	**22,017**
2026	18,856	13,806	**5,050**	0	**18,856**
Column ID:	A	B	C	D	E
Formula:			A - B		A - D

Sources: See attached "Workpaper".

Workpaper Supporting Public Counsel Response to UTC Staff Data Request No. 6, Attachment A, "Estimated Impact of Alternative Treatments of Assignment of Lancaster Contracts on Fixed Costs Allocated to Avista's Washington Ratepayers ($000)"

Component	Line from App C		2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Operations & Maintenance	O&M	c	5,352	5,485	5,622	5,763	5,907	6,055	6,206	6,361	6,520	6,683	6,850	7,022	7,197	7,377	7,562	7,751	6,620
Capacity	Capacity / capital toll paymen	f	15,100	15,251	15,404	15,558	15,714	15,871	16,029	16,190	16,352	16,515	16,680	16,847	17,016	17,186	17,358	17,531	14,755
Transmission	Transmission	d	4,680	4,800	4,920	5,040	5,168	5,296	5,428	5,564	5,704	5,848	5,992	6,144	6,296	6,456	6,616	6,780	5,792
Gas Transportation	Gas Transportation	e	4,263	4,326	4,391	4,458	4,524	4,593	4,661	3,943	-	-	-	-	-	-	-	-	-
			31,405	31,873	32,349	32,832	33,327	33,830	34,340	34,075	30,594	31,065	31,542	32,034	32,531	33,042	33,560	34,087	29,193

Notes:

All data from Exhibit No._(RLS-5), Appendix C, page 1 (Page 28 of 31).
Use of data verified by Avista Response to PC Data Request 227
Transmission multiplied by 4 to produce BPA fixed costs.
Gas transportation expenses assumed to end 10/31/17 to reflect end of fixed charges of current contract.
Gas transportation divided by .8 (multiplied by 1.25) to reflect TL's exclusion of such costs from analysis.

		2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Inputs from App. C	Net BPA Transmission Expense	1,170	1,200	1,230	1,260	1,292	1,324	1,357	1,391	1,426	1,462	1,498	1,536	1,574	1,614	1,654	1,695	1,448
	Net Gas Pipeline Fixed Costs	3,410	3,461	3,513	3,566	3,619	3,674	3,729	3,154	-	-	-	-	-	-	-	-	-
Assignment of All Lancaster Contracts			31,873	32,349	32,832	33,327	33,830	34,340	34,075	30,594	31,065	31,542	32,034	32,531	33,042	33,560	34,087	29,193
Partial Assignment of Contracts 1/			24,197	24,539	24,887	25,240	25,600	25,964	25,705	22,872	23,198	23,530	23,869	24,213	24,563	24,920	25,282	21,375
Reduction in Fixed Costs			7,676	7,810	7,945	8,087	8,230	8,376	8,370	7,722	7,867	8,012	8,165	8,318	8,479	8,640	8,805	7,818
Washington Allocation	0.6459																	
Assignment of All Lancaster Contracts			20,587	20,894	21,206	21,526	21,850	22,180	22,009	19,761	20,065	20,373	20,691	21,012	21,342	21,676	22,017	18,856
Partial Assignment of Contracts 1/			15,629	15,850	16,075	16,303	16,535	16,770	16,603	14,773	14,984	15,198	15,417	15,639	15,865	16,096	16,330	13,806
Reduction in Fixed Costs			4,958	5,045	5,131	5,223	5,315	5,410	5,406	4,988	5,081	5,175	5,274	5,373	5,477	5,581	5,687	5,050

1/ Partial assignment includes all "O&M" and "Capacity" costs and 80 percent of "Gas Transportation" costs.