

**BEFORE THE WASHINGTON
UTILITIES & TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION,

Complainant,
v.

AVISTA CORPORATION, d/b/a AVISTA UTILITIES

Respondent.

DOCKETS UE-220053, UG-220054, and UE-210854 (*Consolidated*)

**RESPONSE TESTIMONY OF COREY J. DAHL
ADDRESSING THE FULL MULTIPARTY SETTLEMENT STIPULATION
ON BEHALF OF
WASHINGTON STATE OFFICE OF THE ATTORNEY GENERAL
PUBLIC COUNSEL UNIT**

Exhibit CJD-1T

July 29, 2022

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TABLE OF CONTENTS

	<u>PAGE</u>
I. INTRODUCTION	1
II. CURRENT ECONOMIC CLIMATE	9
III. EQUITY IMPACTS OF THE SETTLEMENT	16
IV. LOW-INCOME ASSISTANCE PROGRAMS	18
V. LOW-INCOME CONSERVATION PROGRAMS	22
VI. DISTRIBUTIONAL EQUITY ANALYSIS	24
VII. RATE SPREAD AND RATE DESIGN	27

TABLES & FIGURES

PAGE

FIGURE 1	
12-MONTH PERCENTAGE CHANGE IN THE CONSUMER PRICE INDEX BY CATEGORY	10
FIGURE 2	
CONTRIBUTIONS TO RISING CONSUMER PRICES	11

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EXHIBITS LIST

Exhibit CJD-2	Avista's Response to TEP Data Request No. 2
Exhibit CJD-3	Avista's Response to TEP Data Request No. 3

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I. INTRODUCTION

Q. Please state your employer and business address.

A. I serve as a Regulatory Analyst for the Public Counsel Unit of the Washington State Office of the Attorney General (Public Counsel). My business address is 800 5th Ave, Suite 2000, Seattle, Washington, 98104.

Q. On whose behalf are you testifying?

A. I am testifying on behalf of Public Counsel in this proceeding.

Q. What exhibits are you sponsoring in this proceeding?

A. I sponsor the following exhibits:

Exhibit CJD-2 Avista’s Response to TEP Data Request No. 2

Exhibit CJD-3 Avista’s Response to TEP Data Request No. 3

Q. Have you previously testified in this proceeding?

A. No, I have not yet testified in this proceeding.

Q. Please state your qualifications.

A. I earned a B.A. in Economics and a B.A. in English from the University of St. Thomas in St. Paul, Minnesota in 2011. In 2016, I earned a Master of Public Administration degree from the Daniel J. Evans School of Public Policy and Governance at the University of Washington in Seattle. While completing my graduate studies, I worked on low-income and housing policy for a non-profit advocacy organization and worked as a legislative assistant for the Seattle City Council. Additionally, I completed Michigan State University and the National Association of Regulatory Utility Commissioners’ Utility Rate School in May 2017.

1 My current employment with Public Counsel began in October 2016.
2 Since joining the Attorney General’s Office, I have worked on a variety of
3 energy, transportation, and telecommunications matters, including Avista
4 Corporation d/b/a Avista Utilities (Avista or Company) 2019 General Rate Case
5 (GRC) (Consolidated Dockets UE-190334, UG-190335 and UE-190222), Lugg’s
6 2020 Complaint (Docket TV-200029), WasteXpress’s 2020 Complaint (Docket
7 TG-200131), Dolly’s Petitions for Household Goods Mover Permits
8 (Consolidated Dockets TV-190593 and TV-190594), CenturyLink’s 2017 911
9 Outage Complaint (Docket UT-190209), Cascade’s 2017 GRC (Docket
10 UG-170929), Puget Sound Energy’s 2017 GRC (Consolidated Dockets
11 UE-170033 and UG-170034), Avista’s 2017 GRC (Consolidated Dockets UE-
12 170485 and UG-170486), the Puget Sound Energy Greenwood Explosion
13 Complaint (Docket PG-160924), Pacific Power’s Schedule 300 Tariff Revision
14 case (Docket UE-161204), the CenturyLink-Level3 Merger (Docket UT-170042),
15 Cascade Natural Gas Company’s 2017 GRC (Docket UG-170929), the Avista-
16 Hydro One Merger (Docket U-170970), Avista’s 2018 Depreciation Petition
17 (Consolidated Dockets UE-180167 and UG-180168), CenturyLink’s 2017 911
18 Outage Complaint (Docket UT-190209), and the 2019 Avista Remand
19 (Consolidated Dockets UE-150204 and UG-150205).

20 I testified on behalf of Public Counsel in the 2021 PacifiCorp Power Cost
21 Only Rate Case (Docket UE-210402), 2020 Northwest Natural Gas Company
22 GRC (Docket UG-200994), 2020 Avista GRC Settlement (Consolidated Dockets
23 UE-200900 and UG-200901), 2019 PacifiCorp GRC Settlement (Docket

1 UE-191024), 2019 Avista GRC Partial Settlement (Consolidated Dockets
2 UE-190334 and UG-190335), in support of the settlement regarding the merger of
3 CenturyLink and Level3 Communications (Docket UT-170042) in May 2017, on
4 low-income issues in Cascade's GRC (Docket UG-170929), and in the Avista-
5 Hydro One Merger Settlement (Docket U-170970).

6 Beyond adjudications, I have worked on rulemakings, low-income rate
7 assistance, energy conservation, and integrated resource plan (IRP) issues for
8 multiple Washington utilities. In particular, I have been involved in several
9 rulemakings and policy dockets, including the Supplier Diversity Policy (Docket
10 UE-210837), Collections and Credit Rulemaking (Docket U-210800),
11 Performance Based Ratemaking Policy (Docket U-210590), COVID-19 Relief
12 Filings (Docket U-200281), Intervenor Funding Policy (Docket U-210595), Clean
13 Energy Transformation Act (CETA) Integrated Resource Planning (IRP)
14 Rulemaking (Docket UE-190698), CETA Energy Independence Act Rulemaking
15 (Docket UE-190652), CETA Clean Energy Implementation Plan Rulemaking
16 (Docket UE-191023), CETA Purchases of Electricity Rulemaking (Docket
17 UE-190837), generic Cost of Service Collaborative (Consolidated Dockets
18 UE-170002 and UG-170003), and IRP Rulemaking (Docket U-161024).

19 Additionally, I participate in conservation advisory groups for Cascade Natural
20 Gas, as well as the Cascade IRP Technical Advisory Committee. I also participate
21 in low-income advisory groups for Cascade Natural Gas and Puget Sound Energy.
22 More recently, I have observed the Puget Sound Energy Equity Advisory Group,
23 participated in Puget Sound Energy's Clean Energy Implementation Plan (CEIP)

1 Advisory Groups, and worked on ongoing litigation in the Puget Sound Energy
2 CEIP (Docket UE-210795).

3 Outside of energy proceedings, I have participated and represented Public
4 Counsel's interest in a number of water rate cases, including Great Basin Water
5 Company's 2022 GRC (Docket UW-220218) and Lakeland Village Water
6 Company's 2021 GRC (Docket UW-210744).

7 **Q. What is the purpose of your testimony?**

8 A. I am testifying to address the Full Multiparty Settlement Stipulation (Settlement)
9 in this proceeding. My testimony will summarize Public Counsel's filing.

10 Additionally, my testimony describes the equity impacts of the Settlement and
11 Public Counsel's position on the low-income issues included in the Settlement.

12 **Q. Please briefly describe the Settlement.**

13 A. The Settlement is a full resolution of the Company's filed GRC for the joining
14 Parties. Terms of the Settlement include, but are not limited to:

- 15 • Cost of capital;
- 16 • Revenue requirement;
- 17 • Rate spread;
- 18 • Rate design; and
- 19 • Performance metrics.

20 **Q. What Parties have joined the Settlement?**

21 A. This matter is a multiparty Settlement, rather than an all-party Settlement. Joining
22 parties, jointly referred to as the "Settling Parties," are Avista, Washington
23 Utilities and Transportation Commission Staff (Staff), NW Energy Coalition

1 (NWECA), the Alliance of Western Energy Consumers (AWEC), The Energy
2 Project (TEP), Sierra Club, Walmart, and Small Business Utility Advocates
3 (SBUA).

4 **Q. Is Public Counsel a party to the Settlement?**

5 A. Public Counsel is not a party to the Settlement.

6 **Q. What is the public interest standard that the Washington Utilities and
7 Transportation Commission (Commission) considers when determining
8 whether to accept or reject a settlement?**

9 A. In determining whether to approve a settlement, the Commission considers
10 whether a settlement is “lawful, supported by an appropriate record, and
11 consistent with the public interest in light of all the information available to the
12 commission.”¹ If the Commission determines that the settlement stipulation and
13 agreement before them does not meet the standard for approval, they may approve
14 the settlement with conditions or reject the settlement.

15 **Q. Does Public Counsel believe the Settlement is in the public interest?**

16 A. Taken as a whole, Public Counsel does not believe the Settlement is in the public
17 interest. However, Public Counsel believes some components of the Settlement
18 are reasonable and are in the public interest. Yet many components of the
19 Settlement are unreasonable and lack the evidence necessary to support the
20 included terms. Below, my testimony illustrates why the Settlement results
21 inequitable rates. Public Counsel’s filing provides evidence for a resolution of
22 major issues in the Settlement that is in the public interest and results in fair, just,

¹ WAC 480-07-750.

1 and reasonable rates sufficient to provide affordable, reliable, and safe electric
2 and natural gas service to Avista's customers.

3 **Q. Please list Public Counsel's witnesses in this case and the issues their**
4 **testimony will address.**

5 A. Public Counsel presents six witnesses in this matter. In addition to my testimony,
6 the following witnesses offer testimony:

- 7 • David Garrett, addressing cost of capital (Exh. DJG-1T);
- 8 • Sebastian Coppola, addressing revenue requirement (Exh. SC-1CT);
- 9 • Dr. Robert Earle, addressing power cost issues and Energy Imbalance
10 Market benefits (Exh. RLE-1T);
- 11 • Andrea Crane, addressing performance metrics (Exh. ACC-1T); and
- 12 • Aaron Tam, addressing the Company's wildfire resiliency plan (Exh. AT-
13 1T).

14 **Q. Please list the issues you address in your testimony.**

15 A. My testimony addresses the Settlement as it relates to:

- 16 • The current economic environment;
- 17 • Equity impacts on customers;
- 18 • Low-income rate assistance proposals;
- 19 • Low-income conservation program proposals;
- 20 • The Distributional Equity Analysis proposal;
- 21 • Colstrip cost recovery;
- 22 • Rate spread and rate design;
- 23 • Climate Commitment Act terms;

- 1 • Small Business Utility Energy Efficiency;
- 2 • Natural Gas Transition terms;
- 3 • Capital Projects Review;
- 4 • Transportation Electrification terms; and
- 5 • Public Counsel’s overall recommendations.

6 **Q. What does Public Counsel recommend to resolve this GRC?**

7 A. Though some terms in the Settlement are not in the public interest, the
8 Commission should accept a number of other terms as reasonable and in the
9 public interest. In addition to the recommendations provided in my testimony, I
10 summarize Public Counsel’s recommendations made in this filing and identify the
11 corresponding testimony with supporting evidence and reasoning.

12 Public Counsel accepts these Settlement terms as reasonable and in the

13 Public Interest:

- 14 • Low-income rate assistance (Exh. CJD-1T);
- 15 • Low-income renewable energy projects (Exh. CJD-1T);
- 16 • Changes to low-income conservation programs (Exh. CJD-1T);
- 17 • Distributional equity analysis (Exh. CJD-1T);
- 18 • Colstrip cost recovery (Exh. CJD-1T);
- 19 • Electric rate design (Exh. CJD-1T);
- 20 • Natural gas rate spread and rate design (Exh. CJD-1T);
- 21 • Climate Commitment Act terms (Exh. CJD-1T);
- 22 • Small Business Energy Efficiency terms (Exh. CJD-1T);
- 23 • Natural Gas Transition terms (Exh. CJD-1T);

- 1 • Capital Projects Review (Exh. CJD-1T);
- 2 • Transportation Electrification terms (Exh. CJD-1T);
- 3 • Performance metrics (Exh. ACC-1T);
- 4 • Adopting Avista’s filed Energy Recovery Mechanism (ERM) baseline
- 5 with the exception of estimated Energy Imbalance Market (EIM) revenues
- 6 (Exh. RLE-1T); and
- 7 • Eliminating the 60-day ERM baseline update (Exh. RLE-1T).

8 Public Counsel does not accept these Settlement terms as reasonable,

9 supported by evidence, or in the public interest:

- 10 • Overall Revenue Requirement (Exh. SC-1CT);
- 11 • Rate escalation study terms (Exh. SC-1CT);
- 12 • Avista’s projected EIM benefits as included in the Revenue Requirement
- 13 (Exh. RLE-1T);
- 14 • Avista’s proposed Insurance Balancing Account (Exh. SC-1CT); and
- 15 • Rate of Return and Return on Equity (Exh. DJG-1T).

16 Settlement terms that Public Counsel does not take a position on:

- 17 • Electric Rate Spread (Exh. CJD-1T).

18 Additional issues in Avista’s initial filing for which Public Counsel

19 provides recommendations:

- 20 • Avista’s wildfire prevention and resiliency plan (Exh. AT-1T).

21 Public Counsel’s filing, as summarized above, provides the evidence to

22 support the Commission’s decision to produce fair, just, and reasonable rates that

1 allow the Company to earn a fair return in the provision of safe, reliable, and
2 affordable service.

3 **II. CURRENT ECONOMIC CLIMATE**

4 **Q. Please describe the economic climate Avista customers currently face.**

5 A. Inflationary pressures are squeezing the average Avista customer. The Federal
6 Reserve reports that inflation was 9.1 percent on a year-over-year basis from June
7 2021 to June 2022.² Persisting high gas prices are a major driver of increases to
8 inflation, as measured by the Consumer Price Index (CPI), and volatility in gas
9 prices spells uncertainty for future impacts on the inflation rate.³ Further
10 compounding the problem for customers, inflation has outpaced rising wages,
11 effectively eliminating gains made from higher wages.⁴

12 Aside from gas prices, energy represents a large component of overall
13 inflationary pressures. As of June 2022, electricity prices had risen by 13.7
14 percent year-over-year, and natural gas prices had risen 38.4 percent year-over-
15 year.⁵ These price jumps are the largest year-over-year increases for electricity
16 and natural gas since 2006 and 2008, respectively.⁶ Rising energy prices alone
17 contributed an additional “2 percentage points to the overall CPI” as of May
18 2022.⁷ It is clear that energy prices are playing a major role in record-breaking

² *Inflation Soared in June, Pinching Consumers and Challenging Policymakers*, New York Times, (July 13, 2022) <https://www.nytimes.com/live/2022/07/13/business/cpi-report-inflation#inflation-june-soaring-consumers>.

³ *Id.*

⁴ *Id.*

⁵ *Consumer prices up 9.1 percent over the year ended June 2022, largest increase in 40 years*, Bureau of Labor Statistics, (July 18, 2022) <https://www.bls.gov/opub/ted/2022/consumer-prices-up-9-1-percent-over-the-year-ended-june-2022-largest-increase-in-40-years.htm>.

⁶ Chris Isidore, *Inflation rises at fastest pace in 40 years, pushed up by record gas prices*, CNN Business, (June 10, 2022) <https://www.cnn.com/2022/06/10/economy/may-inflation-gas-prices/index.html>.

⁷ *Id.*

1 inflation levels and that consumers' earnings do not go nearly as far as they did
2 one year ago.

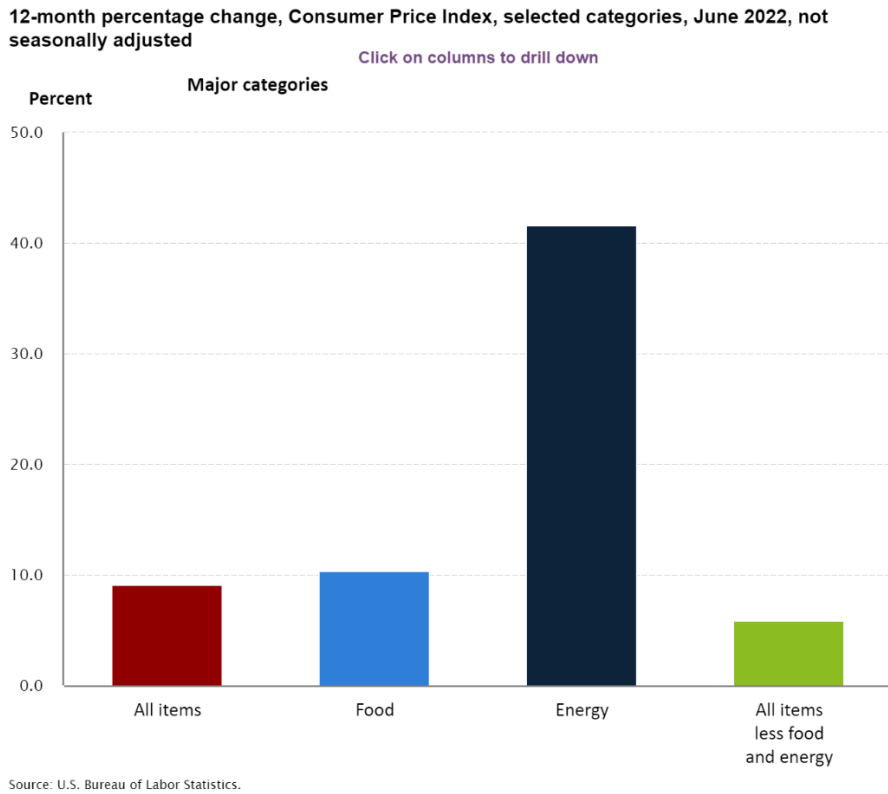
3 **Q. Aside from energy prices, are other factors impacting inflation rates at this**
4 **time?**

5 A. Yes. The Bureau of Labor Statistics (BLS) considers changes in prices for many
6 other goods aside from energy to determine the CPI. For example, BLS measures
7 changes in costs for “food and beverage, housing, apparel, transportation, medical
8 care, recreation, education and communications” to calculate changes in the CPI.⁸
9 These are basic, often essential, purchases consumers make on a regular basis.
10 However, Figure 1 below plainly illustrates the outsized impact increased energy
11 expenses are having in this current period of high inflation.

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⁸ *Consumer Price Indexes Overview*, Bureau of Labor Statistics, <https://www.bls.gov/cpi/overview.htm> (Last Accessed July 27, 2022).

1 *Figure 1: 12-Month Percentage Change in the Consumer Price Index by Category⁹*



2 **Q. Are there additional factors influencing inflation that Public Counsel would**
3 **like to address? Please explain.**

4 A. Yes. I have outlined above the various routine consumer expenses that BLS
5 considers in calculating changes to the CPI. However, behind all the prices and
6 expenses consumers pay are the practices of the companies that provide them
7 goods and services. Prices charged to consumers are comprised of three primary
8 components: “labor costs, nonlabor inputs, and the ‘mark-up’ of profits over the
9 first two components.”¹⁰ Companies pass labor costs along to consumers and,

⁹ *Consumer Price Index*, Bureau of Labor Statistics, <https://www.bls.gov/cpi/> (Last Accessed July 14, 2022).

¹⁰ Josh Bivens, *Corporate profits have contributed disproportionately to inflation. How should policymakers respond?* Economic Policy Institute, (April 21, 2022) <https://www.epi.org/blog/corporate-profits-have-contributed-disproportionately-to-inflation-how-should-policymakers-respond/>.

1 indeed, a share of increased inflation can be attributed to increased wages.
2 Additionally, nonlabor inputs to bring goods and services to market are
3 contributing to inflation. These nonlabor inputs can include increased gas prices
4 and account for ongoing supply chain issues which began during the COVID-19
5 crisis.¹¹ However, corporate profits, added to labor costs and nonlabor inputs,
6 have accounted for a disproportionately large share of current inflation. A study
7 from the Economic Policy Institute showed that 53.9 percent of price increases
8 experienced between Quarter 2 of 2020 and Quarter 4 of 2021 were the result of
9 corporate profits.¹² Comparatively, between 1979 and 2019, “profits only
10 contributed about 11% to price growth.”¹³ Figure 2 below illustrates differences
11 in contributing factors to rising prices between the current inflationary period and
12 the 40 previous years.

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¹¹ *Id.*

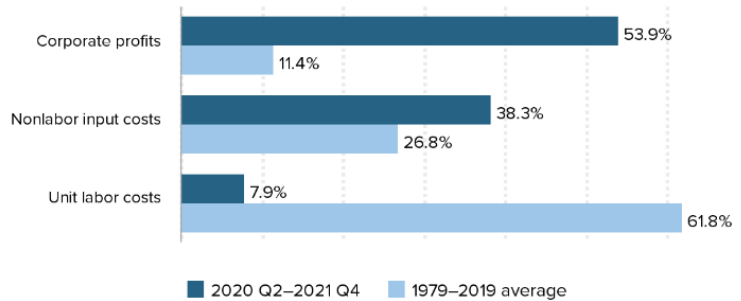
¹² *Id.*

¹³ *Id.*

1

Figure 2: Contributions to Rising Consumer Prices¹⁴

Normal and recent contributions to growth in unit prices in the nonfinancial corporate sector



Source: Author's analysis of data from Table 1.15 from the National Income and Product Accounts (NIPA) of the Bureau of Economic Analysis (BEA).

Economic Policy Institute

2

A report from the Federal Reserve Bank of New York further underscores

3

the outsized contribution of corporate profits to rising prices. According to their

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analysis, “It appears that industries with higher inflation are indeed earning higher

5

profits.”¹⁵ In other words, the sectors of the economy contributing the most to

6

ongoing inflation are also reaping growing profits.

7 **Q.**

What is the relationship between current economic conditions and this

8

General Rate Case?

9 **A.**

Simply put, the Settlement’s revenue requirement is excessive. Electricity and

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natural gas price increases, as explained above, contribute significantly to

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inflation. If the Commission accepts the revenue requirement increases in the

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Settlement, the resulting bill increases will contribute unfairly to Avista

¹⁴ *Id.*

¹⁵ Mathias Andler and Anna Kovner, *Do Corporate Profits Increase When Inflation Increases?* Federal Reserve Bank of New York (July 13, 2022) <https://libertystreeteconomics.newyorkfed.org/2022/07/do-corporate-profits-increase-when-inflation-increases/>.

1 customers' energy expenses and compound the effects of inflation that its
2 customers face. The testimony of Public Counsel witness Sebastian Coppola,
3 Exhibit SC-1CT, demonstrates why the Settlement's revenue requirement is
4 excessive, unsupported by the evidence, and not in the public interest.
5 Furthermore, Public Counsel provides a revenue requirement that is fair, just, and
6 reasonable.

7 In addition, the Rate of Return the Settlement embeds in the proposed
8 revenue requirement is excessive. The testimony of Public Counsel witness David
9 Garrett, Exhibit DJG-1T, provides clear evidence that the Company's current
10 Return on Equity and the Settlement's proposed Rate of Return are exceedingly
11 high and unsupported by evidence. In terms of Revenue Requirement impacts,
12 Coppola's testimony indicates that the Company's originally filed Rate of Return
13 results in a stunning \$23 million in Rate Year 1 revenue above what evidence
14 supports.¹⁶ The Settlement's Rate of Return has smaller revenue requirement
15 impacts than the Company's filed case, but that impact is still excessive and
16 unsupported by evidence.

17 The Company seeks Commission authorization to earn excessive profits at
18 a time when Avista customers are feeling the economic pressure of rising costs,
19 even beyond their electricity or natural gas bills. As I demonstrate above,
20 corporate profit-taking remains a major component of current price increases, and
21 excessively high Returns on Equity and Rates of Return contribute to this
22 problem. Though rising costs may impact the utility's operational costs—which

¹⁶ Direct Testimony of Sebastian Coppola, Exh. SC-1CT at 11:3–7.

1 they subsequently pass on to their customers—the regulatory compact essentially
2 guarantees that well-managed utilities will earn a substantial profit. That same
3 assurance of profitability is not offered to non-regulated, competitive companies.

4 **Q. What should the Commission do in response to inflationary concerns?**

5 A. It is within the Commission’s authority to set Avista’s Revenue Requirement and
6 Rate of Return lower than the Settlement provides. The evidence does not support
7 such significant Revenue Requirement increases, and the resulting customer rates
8 are not in the public interest. Although the Settlement results in lower rates than
9 the Company’s filed case, Commission approval would result in excessively high
10 rates and authorized returns that unduly harm customers. As a policymaking
11 body, the Commission has the tools to ease some of the economic pain rising
12 prices have caused and a duty to set fair, just, reasonable, and sufficient rates.¹⁷
13 The Revenue Requirement and Rate of Return set by the Settlement ensure
14 sufficient rates for the Company and its shareholders, but do so at the expense of
15 rates that are also fair, just, and reasonable for customers. Public Counsel
16 provides evidence and recommendations that enable the Commission to address
17 the increasing energy burden impacting Avista’s customers and regulate utilities
18 in the public interest while still providing utilities with the opportunity to earn a
19 fair rate of return.¹⁸

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¹⁷ RCW 80.28.010(1).

¹⁸ RCW 80.28.020.

1 **III. EQUITY IMPACTS OF THE SETTLEMENT**

2 **Q. Should the Commission consider equity impacts in this GRC?**

3 A. Yes. Under the multiyear rate plan statute the Commission has the discretion to
4 factor equity into its decision-making process. RCW 80.28.425 requires every
5 utility filing a GRC on or after January 1, 2022, to include a multiyear rate plan
6 proposal. Indeed, Avista's filed case includes a two-year rate plan proposal and
7 the Settlement provides for a two-year rate plan for both electric and natural gas
8 service. The statute also states the variety of factors the Commission may
9 consider when evaluating whether a multiyear rate plan proposal is in the public
10 interest:

11 The commission's consideration of a proposal for a multiyear rate
12 plan is subject to the same standards applicable to other rate filings
13 made under this title, including the public interest and fair, just,
14 reasonable, and sufficient rates. In determining the public interest,
15 the commission may consider such factors including, but not limited
16 to, environmental health and greenhouse gas emissions reductions,
17 health and safety concerns, economic development, and **equity**, to
18 the extent such factors affect the rates, services, and practices of a
19 gas or electrical company regulated by the commission.¹⁹

20 RCW 80.28.425 makes abundantly clear that equity is a critical factor for
21 Commission consideration as it sets customer rates in the GRC process, in
22 addition to utility services and practices.

23 //

24 //

¹⁹ RCW 80.28.325 (emphasis added).

1 **Q. Does this case’s status as a Multiparty Settlement, rather than a fully**
2 **litigated proceeding, remove the Commission’s duty to evaluate its equity**
3 **impacts on customer rates?**

4 A. No. Though the Company’s proposed multiyear rate plan ultimately resulted in all
5 Settling Parties accepting a two-year rate plan through negotiations rather than
6 litigation, that does not remove the necessity for the Commission to critically
7 evaluate the impact of the Settlement on customer rates. The Commission should
8 account for equity, along with every other factor enumerated in RCW 80.28.425,
9 as it renders a decision in this matter.

10 **Q. Does the Settlement result in equitable customer rates?**

11 A. No. The evidence in Public Counsel’s filing clearly demonstrates how the
12 Settlement’s Revenue Requirement and Rate of Return are excessive and result in
13 unfair, unjust, and unreasonable rates. The Company’s excessive request will
14 create an unnecessary financial burden for all customers, but low-income and
15 marginalized customers will bear a disproportionate burden of the excessive rate
16 increases and profiteering. Public Counsel agrees with TEP witness Bradley
17 Cebulko that “economic pain, including inflation and rising energy bills, falls
18 hardest on low-income residents and those experiencing a high level of energy
19 burden.”²⁰ An excessive revenue requirement, coupled with economic challenges
20 and high inflation, will indeed burden low-income customers more than it will
21 those with higher incomes. Not only that, an excessive authorized Rate of Return

²⁰ Supporting Multiparty Settlement Testimony of Bradley T. Cebulko, Exh. BTC-1T at 5:6–8.

1 permits the Company to pursue excess profits in a way that disproportionately
2 falls on low-income customers.

3 **Q. From an equity perspective, is this Settlement in the public interest?**

4 A. No, not when taken as a whole. Certain components of the Settlement are
5 reasonable and are in the public interest. These components are further elaborated
6 upon in our witnesses' testimonies. However, the Settlement results in inequitable
7 rates. Public Counsel witnesses Sebastian Coppola and David Garrett propose a
8 reduced revenue requirement and Rate of Return in their testimonies that result in
9 more equitable outcomes.

10 **IV. LOW-INCOME ASSISTANCE PROGRAMS**

11 **Q. Please describe the low-income rate assistance terms the Settlement includes.**

12 A. In the Settlement, Avista commits to working with the Energy Assistance
13 Advisory Group (EAAG) to reach consensus on how to address critical program
14 design and implementation issues, particularly as they relate to a rate discount
15 program. The Settlement specifies that the EAAG will reach consensus on joint
16 administration of the program with the Company and Community Action
17 Partnership (CAP) agencies, on the use of self-attestations to demonstrate income
18 qualifications, and on points of intersection between the federal Low Income
19 Heating Energy Assistance Program (LIHEAP) and the bill discount program the
20 Company has yet to implement. It maintains current program budgets, and the
21 Company agrees to consult with the EAAG to determine appropriate future
22 budgeting methods and parameters. The Settlement also specifies which expenses
23 may and may not be recovered through the low-income tariffs, Schedules 92 and

1 192. Finally, the Company commits to work with the EAAG to identify an
2 opportunity for a renewable energy project to benefit low-income customers
3 directly.

4 **Q. Are these low-income program design terms of the Settlement in the public**
5 **interest?**

6 A. Yes. Avista has been working cooperatively with the EAAG to establish program
7 design details and implementation plans for the new rate discount program. Public
8 Counsel believes the basic framework of the bill discount program is reasonable.
9 Avista witness Shawn Bonfield proposed a five-tier program assigning the
10 discount level for differing customer income bands.²¹ This is a sound way to
11 make sure the Company applies an appropriate discount to customer bills based
12 on their income and ability to pay their electric or natural gas bills.

13 Although the Settlement's basic rate discount proposal is reasonable,
14 critical details remain incomplete. In particular, it will be crucial to determine
15 how the Company will work with CAP agencies to administer the program. CAP
16 agencies play a crucial role in administering energy assistance benefits to income-
17 qualifying customers and can ensure those customers gain access to other critical
18 benefits.

19 Additionally, removing barriers to customers qualifying for and receiving
20 energy assistance funds has been a major point of conversation among
21 stakeholders. Determining how to use and assess the accuracy of self-attested
22 income to demonstrate qualifications is an important step toward reducing the

²¹ Direct Testimony of Shawn J. Bonfield, Exh. SJB-1T at 15:16–24.

1 administrative barriers customers with high energy burdens face. These
2 assessments should strike a balance between gathering information necessary to
3 determine compliance rates and creating new, unintended barriers to program
4 participation.

5 Finally, numerous customers will qualify for both LIHEAP benefits and a
6 rate discount. Yet the benefit amounts and requirements for proving eligibility are
7 not the same for these benefit types. Working collaboratively with the EAAG to
8 reach consensus will ensure that the program design and implementation have
9 buy-in from critical stakeholders and can be implemented successfully.

10 **Q. Is it important that the Settlement indicates which expenses the Company**
11 **may and may not recover through Schedules 92 and 192?**

12 A. Yes. Public Counsel believes these particular Settlement terms are in the public
13 interest. The Company's initial proposal made significant changes to the types of
14 expenses the Company could recover through the low-income rate assistance
15 tariffs, Schedules 92 and 192. Specifically, the Company proposed recovering
16 low-income program labor-related expenses through Schedules 92 and 192
17 instead of through the Company's operating and maintenance expenses, as it has
18 done in the past.²² That proposal, if approved, would have allowed the Company
19 to recover new, additional internal expenses for "administration and support costs
20 (including labor), as well as outreach and education (inclusive of program
21 promotion and marketing)" through Schedules 92 and 192.²³ This would allow the
22 Company to recover potentially significant costs through low-income tariff riders,

²² *Id.* at 32:19–22.

²³ Dahl, Exh. CJD-3 (Avista's Response to TEP's Data Request No. 3).

1 even though the Company was unable to determine or prove the specific expense
2 levels added to the low-income schedules for cost recovery.²⁴

3 The Settlement specifies the types of expenses permitted for recovery
4 through Schedules 92 and 192. Avista may recover through the low-income
5 tariffs:

- 6 • Direct Services to customers;
- 7 • CAP Agency Admin & Program Delivery;
- 8 • CAP Agency Conservation Education Staff & Labor;
- 9 • Avista Conservation Education; and
- 10 • LIRAP Outreach Costs.²⁵

11 These costs are consistent with what the Company has historically
12 recovered through Schedules 92 and 192. The Settlement also indicates that
13 Avista may not recover through the low-income tariffs:

- 14 • Avista labor;
- 15 • Equity advisory group expenses, including facilitator and participant
16 payments;
- 17 • Labor or other costs associated with the reporting of metrics
18 concerning low-income customers and energy burden pursuant to
19 Clean Energy Transformation Act or performance-based regulation
20 metrics; and
- 21 • Labor and other costs associated with reporting to the Department of
22 Commerce.²⁶

23
24 It would not be appropriate to expand costs recoverable through the low-
25 income tariff rider. It also would be inappropriate to set costs for recovery through
26 Schedules 92 and 192 without specifying a dollar amount to add into the tariff
27 rider. Therefore, this Settlement term is in the public interest.

²⁴ Dahl, Exh. CJD-2 (Avista's Response to TEP's Data Request No. 2).

²⁵ The Revised Full Multiparty Settlement Stipulation Joint Testimony, Exh. JT-2r ¶ 24 (filed July 8, 2022) (hereinafter Settlement Stipulation Joint Testimony).

²⁶ *Id.* ¶ 24.

1 **Q. Would you like to highlight any other low-income assistance program issues**
2 **in the Settlement?**

3 A. Yes. I would like to highlight the low-income renewable project. The Settlement
4 provides that the Company will collaborate with the EAAG to “identify a new
5 renewable energy project(s), *e.g.*, community solar, for the direct benefit of the
6 low-income customers.”²⁷ The Settlement also identifies potential funding
7 sources and establishes that the Company must file a detailed work plan by
8 December 1, 2023.²⁸ This imposes no specific or immediate cost to customers at
9 this time.

10 This term is in the public interest, as this supports the goals of CETA.
11 CETA requires utilities to ensure “all customers are benefiting from the transition
12 to clean energy [through the] equitable distribution of energy and nonenergy
13 benefits and the reduction of burdens to vulnerable populations and highly
14 impacted communities.”²⁹ This term provides for the potential development of a
15 clean energy generation project that would provide direct benefits to low-income
16 customers. This term is in the public interest because it aids the Company in
17 achieving CETA mandates and provides direct benefits to vulnerable customers.

18 **V. LOW-INCOME CONSERVATION PROGRAMS**

19 **Q. Please describe the low-income conservation programs included in the**
20 **Settlement.**

21 A. In accordance with the proposed Settlement, the Company agrees to:

²⁷ *Id.* ¶ 24.

²⁸ *Id.* ¶ 24.

²⁹ RCW 19.405.060(1)(c)(iii).

- 1 • Increase low-income weatherization program funding to \$4 million in
2 2023 and \$4.25 million in 2024;
- 3 • Work with the Energy Efficiency Advisory Group (EEAG) to pilot a
4 program to overcome deferred maintenance obstacles to completing
5 projects; and
- 6 • Work with the EEAG to survey actual installed measure costs and, if
7 necessary, make adjustments to fully fund measures.³⁰

8 **Q. Are the low-income conservation program terms in the public interest?**

9 A. Yes. Increasing low-income conservation funding will allow the Company to
10 reach more customers in need of energy efficiency measures who are unable to
11 afford them without assistance. This term also helps the Company meet the CETA
12 goal to ensure equitable benefits in the clean energy transition.³¹ The Settlement
13 also outlines sources for the additional funding through Schedules 92 and 192, the
14 current program funding mechanism.³²

15 Developing a pilot to address deferred maintenance issues is also in the
16 public interest. In many cases, weatherization measures are unable to be installed
17 or would be ineffective without addressing maintenance issues in customers'
18 homes. This is an issue agencies who coordinate funding and implementation of
19 low-income weatherization projects raise regularly. Piloting a program to remove
20 this important obstacle to completing projects is in the public interest.

³⁰ Settlement Stipulation Joint Testimony, Exh. JT-2r ¶ 24.

³¹ RCW 19.408.060(1)(c)(iii).

³² Settlement Stipulation Joint Testimony, Exh. JT-2r ¶ 24.

1 electric load. CETA requires Washington electric utilities to “eliminate coal-fired
2 resources from [their] allocation of electricity” by December 31, 2025.³⁴

3 The first Colstrip-related term excludes all costs related to Colstrip’s Dry
4 Ash Disposal System from the revenue requirement.³⁵ Parties are not bound to
5 this position in future matters, since this term is for settlement purposes in this
6 case.³⁶

7 The second Colstrip term provides that the Company will develop a
8 tracking mechanism and tariff, Schedule 99, for all other expenses, “including but
9 not limited to O&M expense, depreciation expense, D&R costs, and return on rate
10 base.”³⁷ This tracking mechanism is intended to account for basic, operational
11 costs for Colstrip Units 3 and 4 through 2025, rather than expenses related to
12 expenses that would extend the useful life of the generating units. This term
13 provides that “future Colstrip investments, including the pro forma Colstrip
14 investments Avista included in this case, will be recovered separately through this
15 separate tracking mechanism, subject to review, including but not limited to an
16 examination of prudence.”³⁸

17 **Q. Do you believe these terms are in the public interest?**

18 A. Yes. Both terms are in the public interest because they will assist in the
19 Company’s CETA compliance obligations. CETA requires electric companies to
20 remove from Washington rates costs related to coal-fired generation by December

³⁴ RCW 19.405.030(1)(a).

³⁵ Settlement Stipulation Joint Testimony, Exh. JT-2r ¶ 14.

³⁶ *Id.*

³⁷ *Id.*

³⁸ Settlement Stipulation Joint Testimony, Exh. JT-1Tr at 22:8–11.

1 31, 2025, with the exception of prudently incurred decommissioning and
2 remediation costs.³⁹ The Settlement terms described above will assist the
3 Commission and other stakeholders identify which Colstrip-related costs should
4 and should not be included in customer rates as the clean energy transition
5 proceeds. Avista's customers should not be saddled with the costs of coal
6 generation longer than is permitted.

7 Furthermore, the Schedule 99 tracking mechanism supports the
8 Commission's Final Order in the 2019 Avista GRC. The Commission ordered:

9 As part of the Settlement, Avista agrees not to support capital
10 expenditures beyond routine capital maintenance costs at Colstrip that will
11 extend the plant's operational life beyond December 31, 2025. The Parties
12 agree that all Colstrip capital expenditures after December 31, 2017, will
13 be subject to a prudence determination in future rate proceedings and
14 Avista will provide detailed information, including a complete record of
15 the decision making and a full accounting of the costs related to those
16 project expenditures on an annual basis.⁴⁰

17
18 The cost tracking mechanism will set aside costs for prudency review and
19 provide the Commission and intervenors an opportunity in future rate
20 proceedings to evaluate whether costs tracked for recovery purposes are indeed
21 routine maintenance expenses that do not extend the useful life of the Colstrip
22 generating units. This will ensure that Avista's Washington customers are not
23 unfairly charged for unjustified or unwarranted expenses. For that reason, the
24 Schedule 99 tracking mechanism is in the public interest.

25 //

³⁹ RCW 19.405.030(1)(a).

⁴⁰ *Wash. Utils. & Transp. Comm'n v. Avista Corp.*, Dockets UE-190334, UG-190335, UE-190222 (Consol.), Order 09: Final Order, ¶ 51 (Mar. 25, 2020).

1 **VIII. RATE SPREAD AND RATE DESIGN**

2 **Q. Please describe the Settlement's Rate Spread terms for electric service.**

3 A. The Settlement allocated a larger share of the proposed rate increases to
4 residential electric customers in Rate Years 1 and 2, relative to commercial and
5 industrial customer classes.⁴¹ As a result, this moves the customer classes closer
6 to cost of service parity, one of several considerations made in setting rate spread.
7 For the purposes of Settlement, the Settling Parties agreed to allocate a larger
8 share of the \$27.6 million tax refunds resulting from Avista's changes to
9 accounting methodology to the residential customer class,⁴² rather than industrial
10 and commercial customers. This is intended to offset a portion of the increased
11 rates allocated to residential customers.

12 **Q. What is Public Counsel's position on Electric Rate Spread?**

13 A. Public Counsel neither supports nor opposes this term.

14 **Q. Please describe the Settlement's Rate Spread terms for natural gas service.**

15 A. The Settlement proposes rate increases to be spread among all customer classes
16 on an equal percent of margins basis.⁴³ If the Commission approves, rate changes
17 will be spread equally among the customer classes, without allocating a larger
18 share of rate increases to any particular customer class.

19 //

20 //

21 //

⁴¹ Settlement Stipulation Joint Testimony, Exh. JT-2r ¶ 12.

⁴² *Id.* ¶ 13.

⁴³ *Id.* ¶ 12.

1 **Q. Does Public Counsel believe the Settlement’s natural gas rate spread is in the**
2 **public interest?**

3 A. Yes. Public Counsel believes the natural gas rate spread term is reasonable and in
4 the public interest. Given the financial conditions customers face, it is in the
5 public interest to spread rate increases equally among all natural gas customer
6 classes. This means that no particular class is bearing a disproportionate share of
7 increased natural gas rates.

8 **Q. Please describe the Settlement’s terms regarding electric and natural gas rate**
9 **design for residential customers.**

10 A. Residential basic charges for both electric and natural gas will remain at current
11 levels, if the Commission approves this aspect of the Settlement.⁴⁴

12 **Q. Does Public Counsel believe it is in the public interest to maintain current**
13 **basic charges for electric and natural gas residential customers?**

14 A. Yes, it is in the public interest. Basic charges represent the portion of a customer’s
15 bill that is static and will not vary with increased or decreased consumption of
16 electricity or natural gas. Given that customers are facing challenging economic
17 circumstances, increasing the fixed portion of utility rates would present an
18 additional hurdle.

19 The Company initially proposed to raise both electric and natural gas basic
20 charges from \$9.00 to \$11.00⁴⁵ and \$9.50 to \$11.00 per month,⁴⁶ respectively.

21 The Settlement reduces the increased burden that otherwise would have been

⁴⁴ *Id.*

⁴⁵ Direct Testimony of Joseph D. Miller, Exh. JDM-1T at 11:10–11.

⁴⁶ *Id.* at 27:18–19.

1 passed onto residential customers and, thus, it is reasonable and in the public
2 interest.

3 **IX. OTHER SETTLEMENT TERMS**

4 **Q. Are there additional Settlement terms that Public Counsel would like to**
5 **address?**

6 A. Yes, I will address the Climate Commitment Act, Small Business Energy
7 Efficiency, Natural Gas Transition, Capital Projects Review, and Transportation
8 Electrification terms below.

9 **Q. Please describe the Settlement's Climate Commitment Act term.**

10 A. The Settlement provides that Avista will convene relevant stakeholder advisory
11 groups within 60 days of the Department of Ecology adopting rules implementing
12 the Climate Commitment Act. The Company will consult with the advisory group
13 on steps toward compliance with the Climate Commitment Act for electric and
14 natural gas services, including treatment of revenues from consignment of
15 allowances.⁴⁷

16 **Q. Please describe the Settlement's Small Business Energy Efficiency term.**

17 A. The Company agrees to convene the appropriate advisory group to discuss small
18 business energy efficiency offerings and other programs offered to residential
19 customers. These discussions will occur no later than June 30, 2023. Any
20 budgetary impacts of new program proposals must be discussed with the advisory
21 groups.⁴⁸ There are no immediate revenue impacts related to this term.

⁴⁷ Settlement Stipulation Joint Testimony, Exh. JT-2r ¶ 25.

⁴⁸ *Id.* ¶ 26.

1 **Q. Please describe the Settlement's Natural Gas Transition term.**

2 A. The Settlement, if approved, establishes a timeline to phase out the natural gas
3 Line Extension Allowance by January 1, 2025. Beginning in 2023, the Company
4 will adopt a Net Present Value methodology to calculate Line Extension
5 Allowances over a 2-year period. The Company agrees to reduce the Line
6 Extension Allowance to zero by the beginning of 2025. Annual compliance filings
7 would be required.⁴⁹

8 **Q. Please describe the Settlement's Capital Projects Review term.**

9 A. Under a multi-year rate plan proposal, utilities are required to refund any capital
10 spending that exceeds what is embedded in rates. The Settlement, if approved,
11 extends the period for intervenors to review capital project spending from three
12 months to four months, providing additional time for due diligence. The Company
13 also agrees to pass any refunds owed to customers through a separate tariff to
14 maintain transparency.⁵⁰

15 **Q. Please describe the Settlement's Transportation Electrification term**

16 A. This term addresses statutory requirements and requires the Company to report
17 metrics related to electric vehicle and electric vehicle supply equipment use.
18 Specifically, Avista would be required to report the percent of utility-owned
19 electric vehicle supply equipment serving and befitting customers in named
20 communities, if this Settlement term is approved.⁵¹ Additionally, Avista would be

⁴⁹ Settlement Stipulation Joint Testimony, Exh. JT-2r ¶ 25.

⁵⁰ *Id.* ¶ 20.

⁵¹ *Id.* ¶ 22.

1 required to report on load shifted to off-peak periods as a result of transportation
2 electrification programs.⁵²

3 **Q. Are the Climate Commitment Act, Small Business Utility Advocate, Natural**
4 **Gas Transition, Capital Projects Review, and Transportation Electrification**
5 **terms in the public interest?**

6 A. Yes. Public Counsel believes these terms are in the public interest. These terms
7 serve climate goals for Avista’s Washington customers, ensure parties have
8 adequate time to review utility capital expenditures, and provide additional
9 opportunity for small business customers to benefit from energy efficiency
10 programs.

11 **X. CONCLUSION**

12 **Q. Please summarize your testimony.**

13 A. My testimony addressed the scope of issues addressed in our filings and the
14 witnesses presented in this matter. The testimony also described current economic
15 pressures customers are facing, and the role the Commission can play in
16 providing them relief by setting rates and Rate of Return at fair, just, and
17 reasonable levels. Furthermore, my testimony demonstrated that customer rate
18 impacts of the Settlement are not equitable and that the Commission should
19 consider these impacts in light of statute.

20 My testimony also described how various components of the Settlement
21 are reasonable and in the public interest, particularly its terms on low-income

⁵² *Id.*

1 assistance, low-income conservation, distributional equity, electric rate design,

2 natural gas rate spread and rate design, and Colstrip cost recovery.

3 **Q. Does this conclude your testimony?**

4 **A.** Yes, it does.